Supreme Court, U.S.
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No.

In the
Supreme Court of the United States

DANIEL S. DE CARLO,

Petitioner,

vs.

ARCHIE COMIC PUBLICATIONS, INC.,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether the Copyright Act of 1976 entirely preempts an author's state common law property rights in the intangible characteristics and personalities of original literary and cartoon characters.

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PARTIES TO PROCEEDING

Petitioner Daniel S. DeCarlo is an 81-year-old freelance artist who resides with his wife of 55 years, Josie, in Scarsdale, New York. For over forty years Mr. DeCarlo has worked as an independent cartoonist out of a studio in his own home.

Archie Comic Publications, Inc. ("ACP") is a privately held publishing corporation headquartered in Mamaroneck, New York. According to the statement filed by its counsel in the Court of Appeals, Archie has no parent corporation and no publicly held company owns 10% or more of its stock.

OPINIONS BELOW

The decision of the Court of Appeals is contained in a "Second Amended Summary Order" dated August 8, 2001, which is reproduced in full in the Appendix (at A-1). The opinion of the United States District Court for the Southern District of New York, affirmed by the Court of Appeals, is reported at 127 F. Supp. 2d 497, 57 U.S.P.Q. 1593, and 2001 WL 46974 (S.D.N.Y. 2001) and is reproduced in the Appendix at B-1.

JURISDICTION

The jurisdiction of this Court is invoked under 28 U.S.C. §1251(1). Jurisdiction in the Court of Appeals was based on 28 U.S.C. §1291.

STATUTORY PROVISIONS

The relevant provision of the Copyright Act involved in this petition is 17 U.S.C. §301(b)(1):

> (b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to —

> (1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression.

The lower courts in this case have nullified this statutory exception as it applies to original authorship of the characteristics and personalities of cartoon characters, and have created confusion and uncertainty as to the published interpretations of this Act by the Copyright Office, and the applicability of decisions of the Ninth Circuit Court of Appeals relating to the motion picture industry.

STATEMENT OF THE CASE

This petition challenges the grounds for the affirmance by the Second Circuit Court of Appeals of the decision of the United States District Court for the Southern District of New York that:

> The protection due owners of literary and pictorial works, such as the cartoon characters at issue here, *is governed exclusively* by the federal copyright laws.

(Emphasis added.) (127 F. Supp. 2d at 506)

Petitioner contends that original cartoon characters consist of two distinct components — tangible and intangible: (1) graphic pictorial images (subject to the Copyright Act), and (2) intangible personality traits and characteristics (protected under state property law). Petitioner argues that this distinction was recognized by Congress when it enacted the Copyright Act of 1976 (in 17 U.S.C. §301), and the distinction is currently recognized in the official published instructions of the U.S. Copyright Office for registration of cartoon characters under the Act.[1]

The legal and practical importance of this question is in its impact on the right of authors and artists to control the subsequent use of original characters which they license for books

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[1] Circular 44 (reproduced in the Appendix at C-1).

or periodicals, in later publications, sequels and other derivative uses.

Proceedings Below

This case was originally filed in the *nisi prius* Supreme Court of the State of New York, New York County, on March 6, 2000, as a common law breach of contract and property rights case. Defendant removed the case to the U.S. District Court (S.D.N.Y.) on March 28, 2000. Plaintiff moved to remand on April 27, 2000.

While the District Court lingered over the remand motion, the defendant filed a counterclaim and multiple affirmative defenses; launched an extensive discovery program; and then filed an omnibus motion for summary judgment. The District Court did not hear oral argument on the remand and subsequent motions until October 16, 2000. On January 22, 2001, the District Court filed a 29-page Memorandum Opinion dismissing the complaint. That opinion is reported at 127 F. Supp. 2d 497, 57 U.S.P.Q.2d 1593, and 2001 WL 46979 (S.D.N.Y.. 2001) and reproduced in the Appendix at B-1.

Promptly after an appeal was filed in the Court of Appeals on January 31, 2001, plaintiff moved for summary reversal on the question of subject matter jurisdiction. The motion was denied on March 1, 2001.

The appeal was then argued on the merits before a regular panel of the Court of Appeals, which filed a "Summary Order" affirming the District Court on June 1, 2001. Petitioner moved for reconsideration and the panel filed an "Amended Summary Order" on June 29, 2001. Respondent then moved for reconsideration and the panel filed a "Second Amended Summary Order" on August 8, 2001 — from which this Petition is taken, along with the underlying District Court decision of January 22, 2001. The Court of Appeals' Second Amended Summary Order is reproduced in its entirety in the Appendix at A-1.

STATEMENT OF FACTS

Daniel ("Dan") DeCarlo is a freelance artist specializing in comic books and comic strips. He has worked in the comic book industry since the 1950s, having developed his skills as an artist during his service in the United States Army during World War II.

Archie Comic Publications, Inc. ("ACP") is in the business of publishing comic strips and comic books, and is best known for its daily comic strip "Archie" and for the comic book "Betty and Veronica."

In the mid-1950s, Dan DeCarlo was employed on salary at Timely Comics (Marvel). He was laid off during a comic book slump, and began experimenting with the creation of his own comic strips, one of which featured a female teenage cartoon character he called "Josie," after his wife. He attempted to find a syndicator to handle licensing of the comic strip, without success.

In 1961, Dan DeCarlo showed his Josie strip to Archie Comics' Richard Goldwater.[2] Richard Goldwater and Mr. DeCarlo then went together to King Features (which was then distributing the Archie strip) in an attempt to syndicate Josie as a comic strip, also without success. Richard Goldwater and his father, John Goldwater, one of the founders of Archie Comics, then decided to publish Josie as a comic book and engaged Mr. DeCarlo to prepare the drawings. The *She's Josie* comic book first appeared in 1963.

As compensation for doing the drawings for the Josie comic book, Mr. DeCarlo was paid a flat page-rate of $23 per page. In addition to his page-rate compensation, Archie Comics paid Mr. DeCarlo 5% royalty for several years, presumably in recognition of his creation and ownership of the key characters. There were no written contracts covering the arrangements between Archie Comics and Mr. DeCarlo for their first 25 years of working together.

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[2] Mr. Goldwater gives a different version of this event.

In October 1988, respondent required petitioner (along with other freelance artists) to execute a "Newsstand Comic Independent Contractor's Agreement." In December 1996, respondent required petitioner to sign a "Revised Newsstand Comic Independent Contractor's Agreement." Both agreements on their face related solely to comic strips and comic books.

Over the years, Archie Comics licensed Josie characters for dolls, recordings and animated cartoons without bothering to request plaintiff's consent and without payment to plaintiff of any compensation therefor. (*See gen.* Complaint.)

However, in 1999, Mr. DeCarlo learned that Archie Comics had licensed the Josie characters to Universal Pictures for a substantial sum for a full-length live action motion picture. He then consulted an attorney, and shortly thereafter this action was instituted in the state court for breach of contract and breach of fiduciary duty based on Mr. DeCarlo's creation and ownership of the cartoon characters. Thereafter, the District Court asserted exclusive jurisdiction over the claims and dismissed Mr. DeCarlo's complaint.

The present litigation was precipitated by the sudden escalation in the economic value of the Josie characters resulting from their purchase by Universal Pictures to make a live action motion picture aimed at the teenage market. Notably, the Universal film *does not involve any graphic depiction* of the characters, but rather the license purchased from respondent covers the characters' names, personalities and "look" — which petitioner argues are intangible attributes not covered by the Copyright Act. Archie's principals and their attorneys have already received a seven figure sum for the basic license of the Josie characters to Universal and have an agreement with Universal to receive a percentage of the gross box office receipts.[3]

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[3] Archie Comics is currently involved in other efforts to license and exploit the Josie characters in the motion picture and television markets as well as on the Internet.

Mr. DeCarlo has been entirely left out of these arrangements, and seeks recognition of his creation and ownership of the Josie characters, and a fair share in the proceeds of their current exploitation.

His basic claim is breach of contract, relating back to his original informal agreement to provide pages for use in newsstand comic books.

REASONS FOR GRANTING CERTIORARI

The Second Circuit order, and the widely reported District Court opinion which it affirms, effectively sweep away all state law property rights in the names, attributes and personalities of the original cartoon characters created and developed by petitioner, which have served as the basis for hundreds and hundreds of comic book drawings over forty years and have now been appropriated by respondent for its own gain.

The Second Circuit's obliteration of petitioner's state property rights in the intangible personality characteristics of his original characters directly conflicts with:

(1) the reservations clause in the Copyright Act of 1976 (17 U.S.C. Section 301(b)(1));

(2) The official Copyright Office interpretation of the Copyright Act, and its printed instructions to creators of cartoon characters (published in Circular 44); and

(3) The long-standing protection of common law rights of authors in distinctive literary characters articulated by the Ninth Circuit in the "Sam Spade" case (*Warner Bros. v. Columbia Broadcasting Systems*, 216 F.2d 945 (9th Cir. 1954), *cert. denied*, 348 U.S. 971 (1955).)

Supreme Court intervention is required in order to resolve the conflicting case law over the proper legal standard to apply in determining whether literary characters, including cartoon characters, are entitled to protection under the copyright statute or under state common law. As one District Court has noted, this is an area of the law which is "fraught with uncertainty," due to the conflict between the Second Circuit and

the Ninth Circuit, and the contradictions within the jurisprudence of the Ninth Circuit itself. *See Anderson v. Stallone*, 1989 WL 206431, at *6 (C.D. Cal. April 25, 1989). In short, the cases are all over the map, from a virtual bright line rule that characters are not copyrightable, to a rule that characters of sufficient "stature" are copyrightable, to a rule that any character may be protected if adequately "developed."

In addition, the courts below improperly limited the Supreme Court's "master of the complaint" rule in order to expand Federal Court usurpation of formerly state court actions.

ARGUMENT

POINT I

THE SECOND CIRCUIT HAS EFFECTIVELY DESTROYED SECTION 301(b)(1) OF THE COPYRIGHT ACT

Copyright Question Presented

The Copyright Act question presented by this case is this:

Accepting the fact that *tangible graphic depictions* of cartoon characters are protected under the 1976 Copyright Act, are there any *intangible attributes* of cartoon characters — specifically (a) *names*, (b) *personalities*, (c) *mannerisms*, (d) *style* or (e) *"look"* — that are *not* protectable under federal copyright law but are protected as common law property rights enforceable under state law?

The Second Circuit and District Court say "No."

It is frequently said that the principal purpose of the Copyright statute is to encourage the arts. The Second Circuit itself has written:

> It is a fundamental objective of the copyright law to foster creativity. . . . By assuring the author of an original work *the exclusive benefits of whatever commercial success his or her work enjoys*, the law obviously promotes creativity.

(Emphasis added.) (*Warner Bros. v. Am. Broadcasting Companies*, 720 F.2d 231 (2nd Cir. 1983).)

While it may seem paradoxical, withholding copyright protection from the intangible attributes of literary characters actually encourages creativity, by leaving authors free to use their characters in future artistic works, even after they have sold the rights to publish a particular copyrighted work in which their characters appear. (*See* discussion of the "Sam Spade" case below.)

Ironically, the Court below employed the copyright statute for exactly the opposite purpose — to stifle creativity — by depriving all creators of original and successful cartoon characters the benefits of their later commercial success (which may be many years after their original creation). This perverse result appears in the following language in the District Court opinion, adopted by the Court of Appeals:

> The protection due owners of literary and pictorial works, such as the cartoon characters at issue here, is governed exclusively by the federal copyright laws.

(127 F. Supp. 497 at 506)

The overriding legal question in this case is whether the author/creator of fictional cartoon characters has *any* rights in those characters other than those expressly provided by the Copyright Act.[4]

This case deals with common law rights which are *not* the equivalent of a "common law copyright." That is the point the courts below failed to see. Common law rights in the *intangible* qualities of fictional characters are not the same thing as common law copyrights in *tangible* written descriptions or graphic depictions. Thereon hangs the entire outcome of the case.

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[4] The practical significance of this issue is the inapplicability of the Act's statute of limitations to a contract breach action for events occurring within the prescribed state law time period.

The lower courts' ruling directly conflicts with the Ninth Circuit decision in the "Sam Spade" case, *Warner Bros. v. Columbia Broadcasting Systems*, 216 F.2d 945 (9th Cir. 1954), which recognized that the personalities of fictional characters are not protected by copyright.

Keep in mind that the principal bone of contention in this case is the live-action motion picture utilizing *the personalities* of the Josie characters — *not drawings or other graphic depictions*.

In Section 301 of the Copyright statute, Congress made an exception for *intangible* works of authorship:

> (b) Nothing in this title annuls or limits any rights or remedies *under the common law* or statutes *of any State* with respect to —
>
> (1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including *works of authorship not fixed in any tangible medium of expression*;

(Emphasis added.) (17 U.S.C. §301(b)(1).)

The Ninth Circuit Decision

The issue in *Warner Bros. v. Columbia Broadcasting Systems*, *supra*, was whether the sale of the motion picture rights to the book *The Maltese Falcon* prevented the author, Dashell Hammett, from using the lead character, Sam Spade, in other stories, including a later series of radio mysteries. The key question was whether the *character itself* was copyrightable and therefore was transferred to Warner Bros. along with the copyright for the book. The Court ruled that characters are *not* protected by copyright.[5] The analysis merits reading in the Court's exact language:

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[5] Although the case related to the 1909 Act, it will be seen that its reasoning is equally applicable to the 1976 Act, which also contains no specific provision that "characters" and their "names" are expressly subject to copyright. The 1976 statute's reference is to protection for works in "some

> It will now be profitable to consider whether it was ever intended by the copyright statute that characters with their names should be under its protection.
>
> The practice of writers to compose sequels to stories is old, and the copyright statute, though amended several times, has never specifically mentioned the point. It does not appear that it has ever been adjudicated, although it is mentioned in *Nichols v. Universal Pictures Corp.*, 2d Cir., 1930, 45 F.2d 119. *If Congress had intended that the sale of the right to publish a copyrighted story would foreclose the author's use of its characters in subsequent works for the life of the copyright, it would seem Congress would have made specific provision therefor.* Authors work for the love of their art no more than other professional people work in other lines of work for the love of it. There is the financial motive as well. The characters of an author's imagination and the art of his descriptive talent, like a painter's or like a person with his penmanship, are always limited and always fall into limited patters. [Footnote quoting from O. W. Holmes, Sr.] The restriction argued for is unreasonable, and would effect the very opposite of the statute's purpose which is to encourage the production of the arts.

(*Warner Bros.* 216 F.2d at 950.) (Emphasis added.)

The Sam Spade case restricted the copyrightability of characters to those instances where the characters themselves "constitute[ ] the story being told." *Id.*

The Second Circuit Standards and Alternate Ninth Circuit Standard

Other Circuit Court decisions are in direct conflict with the *Warner Bros.* Case, including the Second Circuit decision at issue in this Petition. In contrast to Sam Spade, the *De Carlo* Court stated that, "in this Circuit, it is settled law that the Act

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tangible form." The test enacted by Congress, therefore, is what part of the work is in "tangible form?"

extends copyright protection to cartoon characters developed with sufficient particularity." (A-6.) (Citations omitted.) *See also Ideal Toy Corp. v. Kenner Prods.*, 443 F. Supp. 291 (S.D.N.Y. 1997): "This case [Sam Spade] is not the law in this circuit. . . ." In fact, the *De Carlo* Court's statement was a significant oversimplification. As an examination of the relevant case law reveals, there are at least two competing Second Circuit tests regarding copyrightability of characters, both of which conflict with Sam Spade.

This split of authority was expressly recognized by the Ninth Circuit in *Olson v. National Broadcasting Corporation*, 855 F.2d 1446 (9th Cir. 1988). *Olson* acknowledged the holding in the Sam Spade case that literary characters which do not "constitute the story" are not afforded copyright protection. *Id.* at 1451. The Court noted, however, that "cases subsequent to *Warner Bros.* [Sam Spade] have allowed copyright protection for characters who are especially distinctive." *Id.* at 1452. Among the cases cited is the Second Circuit decision in *Warner Bros. v. American Broadcasting Cos.*, 720 F.2d at 240-45, which found that copyright protection was available for the character of Superman — a case expressly relied on by the Second Circuit in *De Carlo*. As subsequently interpreted by the lower Courts, "Superman" and similar cases appear to stand for the proposition that copyright protection applies exclusively to those characters which have achieved sufficient fame and notoriety that they are "larger than a single production or visual representation and in essence transcend the boundaries of any one copyrighted work." *Rice v. Fox*, 148 F.Supp. 2d 1029, 1055 (C.D. Cal. 2001) *applying, inter alia*, the Superman case.

The second variant of the Second Circuit standard, as the *Olson* court noted, was articulated in "the classic formulation" of Judge Learned Hand, who stated that it was possible for two characters to be so nearly alike that infringement could arise "quite independently of the 'plot' proper, though, as far as we know, such a case has never arisen." *Olson*, 855 F.2d at 1452 *quoting Nichols v. Universal Pictures Corp.*, 45 F.2d

119, 121 (2d Cir. 1930), *cert. denied*, 282 U.S. 902 (1931). To satisfy Judge Hand's Second Circuit standard, a character must exhibit sufficient "development" to warrant copyright protection: "the less the characters are developed, the less they can be copyrighted; that is the penalty an author must bear for marking them too indistinctly." 45 F.2d at 121. *Olson* described Judge Hand's formulation as one of "the more lenient standards adopted elsewhere" than in the Ninth Judicial Circuit, thus confirming the split in the Circuits. 855 F.2d at 1452. It is unclear which standard the Second Circuit followed here. While it articulated the Learned Hand standard, it cited both Superman and *Nichols*.

In addition to the conflict between the Circuits, and inconsistency within the Second Circuit, there are also conflicting standards within the Ninth Circuit. While the Sam Spade case has never been overruled, the Ninth Circuit has found that certain comic book characters were eligible for copyright protection, without explicitly finding that they "constituted the story being told" within the meaning of Sam Spade. *See Walt Disney Productions v. Air Pirates*, 581 F.2d 751, 755 (9th Cir. 1978), *cert. denied*, 439 U.S. 1132 (1979). It is unclear from the opinion whether the *Disney* Court meant (1) to carve out a special exception to Sam Spade for cartoon characters (*see e.g.*, 581 F.2d at 755, stating that "[M]any literary characters may embody little more than an unprotected idea [while] a comic book character, which has physical as well as conceptual qualities, is more likely to contain some unique elements of expression"); (2) whether the Court was applying a Superman-type standard to well known Walt Disney characters; or (3) whether the Court merely sought to apply the Sam Spade test. The subsequent decision in *Olson* did little to clarify matters. The *Olson* Court noted the tension between the Sam Spade and *Disney* decisions, but failed to either reconcile them or to overrule one or the other, thus leaving the law in a state of flux.

Conflict, disarray and uncertainty in copyright law of the kind described above is especially disruptive in the Ninth and Second Circuits. Within the Second Circuit, the City of New

York is the heart of the publishing, broadcasting and theatrical worlds. In the Ninth Circuit, Los Angeles is home to both the television and motion picture industries. Many of the most significant transactions involving literary and artistic properties take place within these jurisdictions. It is crucial to both the creative and business interests that the rules are clear and consistent and that they foster creativity to the greatest extent possible, in keeping with the purposes of the Copyright Act.

The contradictions in the law have sown confusion in lower courts which have been called upon to apply the copyright statute. For example, in *Anderson v. Stallone*, *supra*, the District Court complained that "the precise legal standard this Court should apply in determining when a character may be afforded copyright protection is fraught with uncertainty." 1989 WL 206431 at *6. The Court noted the discrepancy between Judge Hand's standard in *Nichols* and the "more rigorous" test enunciated in Sam Spade. *Id.* at *6. It also observed that the Ninth Circuit has adopted two inconsistent standards in Sam Spade and *Disney* and that the *Olson* case veered back and forth between the two. *Id.* at **6-7. In the wake of the *Olson* Court's indecision, the *Anderson* Court concluded that (despite their inconsistency) *both* Ninth Circuit standards should be applied: "In an implicit acknowledgment of the unsettled state of the law, . . . the circuit court evaluates the character in the suit under *both tests*." *Id* at *7. (Emphasis in original.) The *Anderson* Court also noted its uncertainty over the proper interpretation of the *Disney* case.

This confusion has persisted right up to the present day, as demonstrated by the recent decision in *Rice v. Fox Broadcasting Co.*, *supra*. The Court in *Rice* first declared:

> The kinds of characters to which this kind of protection is extended are those of the stature of Godzilla, James Bond, Superman, Rocky Balboa, and/or well-known Disney comic book characters such as Mickey and Minnie Mouse, Donald Duck, and Goofy.

(148 F.Supp at 1055) (Citations omitted.)

However, the Court then contradicted itself, declaring that there are "essentially two tests for copyrightability of a character," neither one of which depends on the character's "stature":

> There are, it seems, essentially two tests for copyrightability of a "character" apart from the copyrighted work in which he or she (or it) appears. The character must either be "the story being told" or, for visually depicted characters, be "sufficiently delineated" or fleshed out to warrant separate protection.

(*Id.* at 1056) (Citations omitted.) Plainly, the District Courts require guidance, and certiorari is required to restore order to this important area of copyright law.

The Statute

As noted above, the 1976 Act also recognizes this same exception for characters' personalities, names and other intangibles by expressly preserving state common law rights in "works of authorship not fixed in any tangible medium of expression." (17 U.S.C. §301(b)(1), quoted above.)

It is perfectly true that the drawings of cartoon characters and written word descriptions of their special qualities (*e.g.*, "Superman") *can* be copyrighted. The question still remains: what about their intangible attributes — personalities, mannerisms, style, ideas and "look" that exist in the creator's imagination and memory? Are these not *common law property rights* belonging to the author, allowing him or her to continue to use the characters again and again in future works? Has the 1976 Act actually taken away from the author/creator the right to write or draw sequels using the same characters?

Circular 44

The U.S. Copyright Office has expressly interpreted the 1976 Act, as it applies to cartoon characters, *directly contrary* to the decision of the lower courts in this case.

> The copyright law of the United States (title 17 of the United States Code) provides for copyright protection of

> literary and artistic works. Copyright protection begins automatically when a work is first created *in a fixed form*. Cartoons and comic strips are among the types of works of authorship protected by the copyright. This protection extends to any copyrightable pictorial or written expression contained in the work. *This protection does not extend to the title or general theme for a cartoon or comic strip or to the general idea or name for the characters depicted. Intangible attributes of characters are not copyrightable, but a drawing, picture, or depiction or a written description of a character may be registered for copyright. However, copyright does not extend to the idea for the character itself.* A character may be protected under aspects of state, common, or trademark laws. Likewise, titles and names may sometimes be protected under state law doctrines or state and federal trademark laws, but *such protection is not provided for in the copyright code.* Consult an attorney for details.[6]

(U.S. Copyright Office Circular 44, reproduced in the Appendix at C-1) (Emphasis added.)

Circular 44 was repeatedly called to the attention of both the District Judge and the Court of Appeals, both in briefs and during oral argument — but was repeatedly brushed aside. As a result, the lower courts' decision constitutes a superficial and erroneous reading of the Copyright Act of 1976 as it applies to fictional cartoon characters.

This is an extremely important issue of intellectual property law affecting every author and creator of fictional characters. It deserves the thoughtful consideration and resolution by this Court.

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[6] The Copyright Office suggestion that would-be copyright registrants "Consult an attorney" is another reason why the Court should consider this case. Allowing the erroneous decisions below to stand means that attorneys will now start giving cartoonist clients incorrect advice based on that authority.

POINT II

THE SECOND CIRCUIT HAS INVALIDATED THE "MASTER OF THE COMPLAINT" RULE FOR CONTRACT DISPUTES OVER THE USE OF COPYRIGHTED MATERIALS

The principal cause of action in the complaint in this action is a contract dispute between two parties who have done business with each other for over forty years. The complaint is not an infringement action brought against a stranger third-party for theft of plaintiff's copyrighted (or copyrightable) cartoon drawings.

In *Harms v. Eliscu*, 339 F.2d 823 (2d Cir. 1964) — followed in virtually every Circuit in the U.S. — Chief Judge Friendly wrote that a contract dispute remains a state law claim even though it relates to copyright ownership (at page 826):

> Just as with western land titles, the federal grant of a patent or copyright has not been thought to infuse with any national interest a dispute as to ownership or contractual enforcement turning on the facts or on the ordinary principles of contract law.

In this case, the lower courts extended federal jurisdiction to apply to petitioner's breach of contract claim on the ground that plaintiff's requested common law and equitable remedies are the same as those "traditionally available under the Act in cases of Copyright infringement" and therefore the complaint meets the Second Circuit's test of copyright preemption under *Bassett v. Mashantucket Pequot Tribe*, 204 F.3d 343, 349 (2d Cir. 2000).

We submit that the *Bassett* test applies only where a *plaintiff* has expressly *invoked federal jurisdiction* under the Copyright Act by bringing suit in the U.S. District Court, and the Federal Court is called upon to test the sufficiency of the copyright allegations. Where plaintiff has filed a *state law* action in *state court*, the "master of the complaint" rule has, until now, precluded the Federal Court from looking past the

face of the complaint to determine whether a claim "arises under" the Copyright Act.

The test in *Bassett* was meant to weed out of the federal courts state claims which incorrectly purport to be federal Copyright claims. It was *not* intended to do *the reverse* — convert state law claims filed in state court into removable Copyright claims.

Common law damages and equitable injunctions existed *long before* the passage of the 1976 Copyright Act. They are not "expressly granted" by the Copyright Act, despite substantial overlap. They were copied by Congress, not created by Congress. Moreover, a constructive trust (alleged in petitioner's complaint) is nowhere found in the Copyright Act. The fact that there is similarity between state law remedies and certain Copyright Act remedies does not convert all state law actions involving intellectual property that seek traditional state law remedies into Copyright claims.

The correct test for determining Copyright law applicability was succinctly stated in *T.B. Harms v. Eliscu*, 339 F.2d 823, 828 (2nd Cir. 1964):

> Mindful of the hazards of formulation in this treacherous area, we think that an action arises under the Copyright Act *if and only if the complaint is for a remedy expressly granted by the Act, e.g.*, a suit for infringement or for the statutory royalties for record reproduction. 17 U.S.C. §101, *cf. Joy Music, Inc. v. Seeco Records, Inc.*, 166 F. Supp. 549 (S.D.N.Y. 1958), or asserts a claim requiring construction of the Act, as in *De Sylva*, or, at the very least and perhaps more doubtfully, presents a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim. The general interest that copyrights, like all other forms of property, should be enjoyed by their true owner is not enough to meet this last test.

(Emphasis added.)

The courts below have trashed the well-pleaded complaint rule articulated by the Supreme Court in *Taylor v. Anderson*, 234 U.S. 74, 75 (1914):

> "[W]hether a case is one arising under the Constitution or a law or treaty of the United States, in the sense of the jurisdictional statute, . . . must be determined from what necessarily appears in the plaintiff's statement of his own claim in the bill or declaration. . . ."

Likewise, in *The Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1913) (Holmes, J.) this Court held:

> "[T]he party who brings a suit is master to decide what law he will rely upon, and therefore does determine whether he will bring a suit arising under the patent or other law of the United States by his declaration or bill."

The exception to the "master of the complaint" rule requires that plaintiff *expressly* request relief under the federal Copyright Act before his state claim is converted to a copyright claim. It cannot be satisfied where plaintiff merely requests a form of relief under state law which may also be duplicated under federal law. That would override the basic tenet of the "master of the complaint" rule that a plaintiff is free to disregard federal law if he so chooses — as petitioner did here.

CONCLUSION

The laws of copyright and of federal jurisdiction are too important to be dealt with summarily. Both topics deserve thoughtful analysis and careful reading in conjunction with existing precedents. This Court should grant certiorari and issue an opinion: (1) affirming the existence of common law rights in the intangible personalities of fictional characters that were recognized by the Ninth Circuit in *Warner Bros. v. Columbia Broadcasting Systems*, and by the U.S. Congress and by the Copyright Office; and (2) reconfirming the right of plaintiffs to choose their forum when filing actions that may be brought in either state or federal courts.

The Petition for Certiorari should be granted.

Dated: New York, New York
September 28, 2001

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APPENDIX

Appendix A

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

SECOND AMENDED SUMMARY ORDER

THIS SUMMARY ORDER WILL NOT BE PUBLISHED IN THE FEDERAL REPORTER AND MAY NOT BE CITED AS PRECEDENTIAL AUTHORITY TO THIS OR ANY OTHER COURT, BUT MAY BE CALLED TO THE ATTENTION OF THIS OR ANY OTHER COURT IN A SUBSEQUENT STAGE OF THIS CASE, IN A RELATED CASE, OR IN ANY CASE FOR PURPOSES OF COLLATERAL ESTOPPEL OR RES JUDICATA.

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, Foley Square, in the City of New York, on the 8th day of August two thousand and one.

Present: Joseph M. McLaughlin,
Rosemary S. Pooler,
Circuit Judges.
John S. Martin, Jr.,
District Judge.[1]

UNITED STATES
COURT OF APPEALS
SECOND CIRCUIT
Roseann B. MacKechnie
Clerk
FILED AUG -8 2001

Daniel S. DeCarlo, (Docket No. 01-7132)

Plaintiff-Counter-Defendant-Appellant,

-v-

Archie Comic Publications, Inc.,

Defendant-Counter-Claimant-Appellee.

---

[1] The Honorable John S. Martin, Jr., United States District Court Judge for the Southern District of New York, sitting by designation.

Appearing for Appellant:

Whitney North Seymour, Jr., Landy & Seymour, New York, NY (Craig A. Landy, Peter James Clines and Sharon E. Ash, on the brief).

Appearing for Appellee:

Leora Herrmann, Grimes & Battersby, LLP, Mamaroneck, NY (Edmund J. Ferdinand III, on the brief).

Appeal from the United States District Court for the Southern District of New York (Kaplan, *J.*)

(Kaplan, *J.*).

ON CONSIDERATION WHEREOF, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that the order of said District Court be and it hereby is **AFFIRMED**.

Daniel S. DeCarlo appeals from the judgment of the United States District Court for the Southern District of New York (Kaplan, *J.*) of January 22, 2001, denying plaintiff's motion to remand to state court; granting defendant's motion for summary judgment; denying plaintiff's cross-motion for summary judgment and denying defendant's counterclaim for damages. For the reasons given below, we affirm.

Daniel DeCarlo is a freelance cartoonist who spent most of his working life producing comic books and strips for the defendant, Archie Comic Publications, Inc. ("Archie"). At issue here is the work DeCarlo did for the Josie and the Pussycats comics. DeCarlo alleges he created and thus owns the Josie characters, while Archie alleges it owns the characters as DeCarlo's work was done on a work-for-hire basis. The Josie characters are ripe for economic exploitation because of the recent release of a live action motion picture by Universal Studios. Archie agreed to license the characters to Universal without DeCarlo's participation.

According to DeCarlo, he began developing the character of Josie in the mid-1950s, when he was laid off during a comic book slump. He credits his wife with providing the inspiration for Josie's name and trademark bouffant hairdo, as well as the

Pussycats' distinctive costumes. DeCarlo said he showed his Josie strips, including the characters of Melody and Pepper, to Richard Goldwater at Archie in 1961. The two took the strip to King Features in an attempt to syndicate it, with no success. Goldwater and his father, John Goldwater, an Archie principal, then decided to publish Josie as an Archie comic book beginning in 1963.

In October 1988, the parties executed a "Newsstand Comic Independent Contractor's Agreement," wherein DeCarlo agreed "Archie is the publisher of comic strips and comic books under its ARCHIE property of which Archie is the sole and exclusive owner." The parties also executed a "Revised Newsstand Comic Independent Contractor's Agreement" in December 1996, wherein DeCarlo agreed, "all past, pending and future contributions of the contractor to the Works and Properties are and shall be Works for Hire owned by and for the benefit of Archie." Throughout the years, Archie licensed the Josie characters for a panoply of uses, including dolls, records and television cartoons. In 1999, DeCarlo learned Archie licensed the Josie characters to Universal Studios for a live action movie. He then brought the instant action in state court.

DeCarlo sought a declaratory judgment and injunction to prevent Archie's wrongful use and continuing profit "from plaintiff's creation of the Josie, Melody and Pepper characters, as well as from works derived from their creation." DeCarlo also alleged breach of contract, breach of the implied covenant of good faith and fair dealing, breach of fiduciary duty and sought the imposition of a constructive trust. Archie removed the case to the United States District Court for the Southern District of New York, alleging DeCarlo's case was really a copyright case, giving the federal courts subject matter jurisdiction. DeCarlo promptly moved for remand.

The district court denied the remand motion and granted Archie's motion dismissing the complaint on January 22, 2001. DeCarlo moved for summary reversal, which this Court denied on March 1, 2001. This expedited appeal followed.

We review the denial of a remand motion *de novo*. *Somlyo v. J. Lu-Rob Enter., Inc.*, 932 F.2d 1043 (2d Cir. 1991).

On appeal, DeCarlo argues his complaint asserts no federal claim on its face, so that the well-pleaded complaint rule controls and his suit should be heard in state court. The essence of his state law claim is that he owns the Josie characters under state law, and Archie owns only those rights in the characters which DeCarlo gave it through licensing agreements. "Where plaintiffs claim involves both a federal ground and a state ground, the plaintiff is free to ignore the federal question and pitch his claim on the state ground to defeat removal." *Travelers Indem. Co. v. Sarkisian*, 794 F.2d 754, 758 (2d Cir. 1986) (internal citations and punctuation omitted). Thus, "removal based on federal question jurisdiction is improper unless a federal claim appears on the face of a well-pleaded complaint." *Id.* Further, "the party who brings a suit is master to decide what law he will rely on." *Id.* But, "in certain limited circumstances a plaintiff may not defeat removal by clothing a federal claim in state garb, or, as it is said, by use of "artful pleading. . . . The classic application of artful pleading occurs in the context of federal preemption of state law. In that circumstance a plaintiff purporting to plead a claim based on state law is necessarily relying on federal law for relief." *Id.* To determine if a pleaded state claim is actually a federal claim, we look at whether the elements of the state claim are very similar to those of a claim expressly grounded in federal law. *Id.* at 760-61. Here, DeCarlo's complaint contains numerous contentions that he created and authored the Josie characters and retains the rights to distribute those characters as he sees fit, making the elements very similar to a copyright claim. *See Merchant v. LBW*, 92 F.3d 51, 55 (2d Cir. 1996) (where a party claims to own rights to a work by virtue of his status as author of the work, the action "arises directly from the terms of the Copyright Act itself" and federal jurisdiction is exclusive). Thus, the well-pleaded complaint rule does not control.

Further, as the district court also properly examined whether DeCarlo raised a cognizable state law claim, we follow suit

here. DeCarlo's state law claim rests on *Fisher v. Star*, 231 N.Y. 414 (1921). In *Fisher*, the artist who drew the Mutt and Jeff comic strip was granted an injunction restraining publication, without the artist's consent, of Mutt and Jeff cartoons drawn by another artist. *Fisher*, 231 N.Y. at 427. The *Fisher* court held the cartoonist "is the owner of the property right existing in the characters represented in such figures and names. . . . Property rights in literary and other property, the product of the brain as between employer and employee, are determined by what was contemplated by the contract of employment." *Id.* at 432. *Fisher*, however, was based on a tort theory of unfair competition, which bars "passing off" the work of someone other than the author as the author's own. *Id.* at 433. As the *Fisher* court did not need to reach the property rights issue to support its decision, those remarks are dicta and not binding on this court. *See also Gotham Music Serv., Inc. v. Denton & Haskins Music Pub. Co.*, 259 N.Y. 86, 89 (1932) (no passing off when the song title in dispute was associated with the music rather than with the plaintiffs who authored the music). We assume, *arguendo*, *Fisher* remains good law and its holdings apply here. DeCarlo would only have a viable *Fisher* cause of action if he sought an injunction against the use of the Josie characters' names, or the use of an all-girl rock band performing in pussycat costumes, for example, because the public might be tricked into thinking DeCarlo sponsored the product. DeCarlo's complaint, however, raises no such cause of action. Instead, it seeks an injunction against the "wrongful use" of and defendant's profit from, DeCarlo's creation of the Josie characters. This is not a *Fisher* claim. The district court, therefore, correctly concluded DeCarlo failed to allege a cognizable claim under *Fisher*.

Finally, the district court correctly held DeCarlo's claim, on its face, raised a federal copyright issue. Under the Copyright Act of 1976 (the "Act"), copyright protection attaches once the work is fixed in some tangible form, regardless of whether the copyright is registered or the work is published. 17 U.S.C. § 102(a). DeCarlo relies on Copyright Office Circular 44 to support his contention that the works at issue are not copy-

rightable. Notwithstanding Circular 44, however, in this Circuit it is settled law that the Act extends copyright protection to cartoon characters developed with sufficient particularity. *Warner Bros., Inc. v. ABC. Inc.*, 720 F.2d 231, 241 (2d Cir. 1983) (copyright law protects "not only the [character's] visual resemblance but also the totality of the character's attributes and traits."); *Detective Comics. Inc. v. Bruns Publ'ns, Inc.*, 111 F.2d 432, 433-34 (2d Cir. 1940) (extending copyright protection to Superman cartoon character insofar as it embodies "an arrangement of incidents and literary expressions original with the author" and enjoining portrayal of character using any of Superman's "feats of strength or powers" or "closely imitating his costume or appearance") (citing *Nichols v. Universal Pictures Corp.*, 45 F.2d 119 (2d Cir. 1930) (copyright protection is granted to a character if it is developed with sufficient specificity.)). With respect to works covered by the Act, it preempts state copyright law. 17 U.S.C. § 301, see also *Warner Bros.*, 720 F.2d at 247-8. DeCarlo also relies heavily on the Ninth Circuit's holdings in *Warner Bros. v. Columbia Broad. Sys.*, 216 F.2d 945 (9th Cir. 1954), for the proposition that the works at issue are not copyrightable. However, the Ninth Circuit case deals with literary characters, while the case before us deals with cartoon characters and is controlled by our holding in *Warner Bros.*, 720 F.2d at 241. We are bound by our own precedent. As discussed above, those common law rights DeCarlo possessed which were not engulfed by the Copyright Act were not implicated by his complaint, and thus are not before us here.

"When a complaint alleges a claim or seeks a remedy provided by the Copyright Act, federal jurisdiction is properly invoked." *Bassett v. Mashantucket Pequot Tribe*, 204 F.3d 343, 355 (2d Cir. 2000) quoting *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 824 (2d Cir. 1964). Here, DeCarlo's first cause of action alleges that he created the Josie characters, licensed the characters to Archie for limited purposes and that Archie is using the characters for purposes other than the ones they are licensed for. He seeks a declaration that he is the "sole owner of the comic book characters Josie, Melody and Pepper,

and has the exclusive right to use or license them for purposes other than comic strips and comic books," as well as an injunction preventing future use by Archie and an accounting. Thus, on its face, DeCarlo's claim is based on his allegation that he created and authored the Josie characters, and therefore owns the rights to them. He seeks those remedies traditionally accorded by copyright law. 17 U.S.C. §501-504. Nothing in *Bassett* limits its holding, as plaintiff suggests, only to improper copyright claims originally brought in federal court. Further, as discussed above, the well pleaded complaint rule does not apply in cases such as this, where plaintiff attempts to defeat removal to federal court by "clothing a federal claim in state garb." *Travelers*, 794 F.2d at 758. Therefore, DeCarlo cannot find the refuge he seeks in the well pleaded complaint rule and raised a claim with no cognizable grounds in state law. His complaint on its face raises a federal copyright claim. The district court thus properly found DeCarlo raised a copyright claim and refused to remand. *See also Marcus v. AT&T Corp.*, 138 F.3d 46, 54-55 (2d Cir. 1998).

Civil actions under the Copyright Act are governed by a three-year statute of limitations. 17 U.S.C. §507(b). A copyright cause of action accrues when a "plaintiff knows or has reason to know of the injury upon which the claim is premised." *Merchant*, 92 F.3d at 56. Authors and co-authors know they created a work from the moment of its creation. *Id.* "Plaintiffs claiming to be co-authors are time-barred three years after accrual of their claim from seeking a declaration of copyright co-ownership rights and any remedies that would flow from such a declaration." *Id.* As the *Merchant* court stated, this "promotes the principles of repose integral to a properly functioning copyright market." *Id.* at 57. Here, DeCarlo brought suit in 1999, although he was aware of Archie's alleged infringement from at least 1963, when he read the copyright notice in *She's Josie* #1 which gave the sole copyright in "cover and content to an Archie subsidiary. He knew of and watched the Josie and the Pussycats cartoons which ran on national television. He knew that Josie and the Pussycats were being licensed for merchandising purposes at least

since 1990. He signed both the 1988 and 1996 Agreements, both of which made clear that Archie viewed itself as the sole owner of the Josie characters. Therefore, the district court correctly found the copyright statute of limitations bars DeCarlo's first claim.

On appeal, DeCarlo also argues that even if his ownership suit is untimely, he can still bring a copyright suit for infringement. Without reaching the merits of his position, DeCarlo cannot maintain a suit for copyright infringement because he never registered the copyrights in accordance with the statute, a necessary first step to instituting a lawsuit based on those rights. 17 U.S.C. § 411 (a) ("no action for infringement of copyright in any work shall be instituted until registration of the copyright claim has been made."); *see also Kelly v. L.L. Cool J.*, 145 F.R.D. 32, 36-7 n. 6 (S.D.N.Y. 1992) ("copyright registration is a jurisdictional prerequisite to an infringement suit.") *aff'd*, 23 F.3d 398 (2d Cir. 1994)(Table No. 93-9056). Thus, his infringement argument fails.

For the reasons given above, the district court correctly found DeCarlo pled a copyright claim, properly asserted federal subject matter jurisdiction and correctly found the action barred by the statute of limitations. Further, primarily for the reasons given by the district court, we find the district court properly dismissed DeCarlo's state law claims.

We have examined DeCarlo's remaining claims and find them without merit.

FOR THE COURT,
Roseann B. MacKechnie, Clerk

By: /s/
Oliva M. George, Deputy Clerk

Appendix B

UNITED STATES DISTRICT COURT, S.D. NEW YORK.

Daniel S. DECARLO, Plaintiff,

v.

ARCHIE COMIC PUBLICATIONS, INC., Defendant.

No. 00 Civ. 2344(LAK).
Jan. 22, 2001.

Cartoonist brought action in a state court against comic book publisher, alleging ownership of the literary property in his characters and requesting injunctive relief from publisher's creation of derivative works. After removal, cartoonist filed motion to remand, and publisher moved for summary judgment. The District Court, Kaplan, J., held that: (1) suit "arose under" Copyright Act, thereby giving district court subject matter jurisdiction; (2) cartoonist's cause of action alleging ownership of literary property in his characters was barred by the statute of limitations; and (3) cartoonist was equitably estopped from claiming that comic book publisher had violated his rights in the characters he created, whether those claims were couched in terms of copyright, contract or some other legal theory.

Plaintiff's motion denied; defendant's motion granted in part and denied in part.

Whitney North Seymour, Jr., Sharron Ash, Landy & Seymour, New York City, for Plaintiff.

Leora Herrmann, Edmund J. Ferdinand, III, Grimes & Battersby, for Defendant.

MEMORANDUM OPINION

KAPLAN, *District Judge.*

Plaintiff Daniel S. DeCarlo long has drawn the *She's Josie* comic strip, including the characters Josie, Melody and Pepper, for defendant Archie Comic Publications, Inc. ("ACP")

and been compensated on a flat per-page rate and by certain royalties. Now that ACP is embarked on much more extensive and lucrative commercialization of these characters, including a motion picture, DeCarlo claims that he owns the characters and that ACP's commercialization exceeds the rights he granted to it.

The matter now is before the Court on DeCarlo's motions to remand the case to the state court from which it was removed and to disqualify ACP's attorneys and ACP's motion for summary judgment dismissing the complaint and granting their counterclaim, as well as DeCarlo's cross motion for summary judgment striking ACP's affirmative defenses and dismissing its counterclaim.

Facts

Plaintiff's Claim

The Start of the Relationship

DeCarlo has been a comic book artist since the 1950's. He claims to have begun developing the character Josie in the mid 1950's at about which time he began working full time as a freelancer for a number of enterprises, including ACP for which he continues to work.[1] He contends that he showed a *Josie* comic strip, including the Melody and Pepper characters, which he claims also to have created, to ACP in or about 1961.[2] Following an unsuccessful effort to syndicate the proposed strip, ACP itself decided to publish it and brought out the first *She's Josie* comic book in 1963.[3] It paid DeCarlo $23 per page for his work on the Josie comic books and, according to the complaint, paid him a 5 percent royalty on revenues earned therefrom from June 1966 through October

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[1] Cpt §§ 5-7.

[2] *Id.* § 9.

[3] *Id.* § 11.

1969.[4] In addition, it sent him a check for $1,406.25 in 1998 without any explanation.[5]

The 1988 Agreement

On October 25, 1988, DeCarlo and ACP entered into a so-called Newsstand Comic Independent Contractor's Agreement (the "1988 Agreement"). The contract began with a series of recitals, including that

> ACP "is the publisher of comic strips and comic books . . . of which [ACP] is the sole and exclusive owner,"
>
> ACP "seeks to supplement its own existing comic strips and comic books (hereinafter the "Existing Archie Works") by the purchase of the entire right, title and interest in existing third party comic strips and pages for its comic books (hereinafter the 'Existing Third Party Works'),"
>
> ACP "desires to retain third parties to modify or otherwise work with the Existing Archie Works and/or the Existing Third Party Works . . . on a work made for hire basis, to create modified comic strips and pages for its comic books (hereinafter the 'Modified Works')," and
>
> [T]he Contractor [i.e., DeCarlo] desires to confirm the assignment to [ACP] of the Contractor's entire right, title and interest in and to whatever comic strips and pages for comic books the Contractor may have heretofore provided [ACP] in furtherance of this project and further desires to work with [ACP] in the future under the terms and conditions hereinafter expressed."[6]

It then set forth covenants in relevant part as follows:

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[4] *Id.* § 12-14. These payments allegedly were made pursuant to an oral agreement between the parties. *Id.*

[5] *Id.* § 15.

[6] Cpt Ex. B, at 1.

"1. (a) The Contractor hereby assigns and conveys to [ACP] all of its rights, title and interest in the Existing Third Party Works heretofore submitted to [ACP].

"(b) The Contractor further agrees to work with [ACP] on a work for hire basis to:

"(i) create and develop for [ACP's] exclusive use Additional Works, and

"(ii) perform modifications of Existing Archie Works, Existing Third Party Works (including Existing Third Party Works of others) and Additional Works . . ."[7]

* * * * * *

"2. (a) The Contractor hereby assigns to [ACP] all right, title and interest in and to all Works submitted under this Agreement as well as to any patent rights, copyrights, trademark rights and/or applications therefore which relate thereto. The Contractor agrees to execute all documents which are reasonably required to perfect such assignment. It is agreed and understood that such Works shall constitute Works Made for Hire and shall be the sole and exclusive property of [ACP]. To the extent any work of Contractor shall not be deemed under law to constitute subject matter which may be treated as work made on a Work Made for Hire basis, then Contractor hereby assigns and conveys to [ACP] all of its rights, title and interest in any such work.

"(b) The Contractor hereby expressly waives all claim of right which it may have to any ownership interest in such Works and/or the ARCHIE property."[8]

The 1996 Agreement

The 1996 Agreement is entitled a Work for Hire Agreement between DeCarlo and ACP. It began with a series of introductory recitals:

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[7] *Id.* § 1.

[8] *Id.* § 2.

> ACP "is in the business of producing and/or publishing comic strips and comic books that include characters, artwork, stories, plots, trademarks, logos, and other creative expressions ('Properties'). All references to 'Properties' in this Agreement will include existing and future-created Properties that are commission by [ACP] and/or used in any of [ACP's] publications or licensed products."[9]
>
> "All past, pending and future uses of all Properties, including uses by [ACP's] licensees, will be collectively referred to in this Agreement as 'Works.'"[10]

The 1996 Agreement then set forth provisions defining the relationship of the parties, their understanding regarding compensation, and so on. The key provisions included the following:

> "5. Contractor's full and complete compensation for each assignment . . . will be a fixed sum based on a rate to be mutually agreed upon. . . . Contractor will not be entitled to royalties, to income derived from licensing or merchandising, or to additional compensation for the creation of new Properties. . . ."
>
> "19. To the extent that any past, pending or future contributions by Contractor to the Works or Properties do not qualify as a Work for Hire, Contractor will and hereby does assign to [ACP] any right, title and interest that he/she has or may obtain therein, including all copyrights, patents, trademarks and other proprietary rights. Contractor will sign, upon request, any documents needed to confirm that any specific Works or Properties are Works for Hire, to effectuate the assignment of his/her rights in any Works or Properties to [ACP] and/or to obtain copyright, trademark and/or patent protection for any of the Works or Properties."

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[9] Cpt Ex. C, § 1.

[10] *Id.* § 2.

The Conduct of the Parties

The foundations of plaintiff's position here are that he was the sole creator of the Josie strips and characters, that he granted to ACP only the right to use his drawings in its comic books and strips, and that plaintiff retains all other ownership interests in the characters Josie, Melody and Pepper. He alleges that ACP, in derogation of his retained rights, has licensed or otherwise used the Josie, Melody and Pepper characters for purposes other than comic strips and comic books — purposes such as dolls, recordings, animated cartoons and live action motion pictures — without his consent and without payment of fair and reasonable compensation.[11] Defendant disputes each of these propositions, but that is immaterial for present purposes.

DeCarlo admits having known for many years that ACP claimed rights in his alleged work product far more extensive than he now acknowledges having granted. He concedes, for example, that he understood in 1963 that Radio Comics, an ACP subsidiary, claimed sole ownership of the copyright in *She's Josie # 1,* one of the comic books, and, indeed, that he "didn't think it was right" for it to have done so.[12] He knew that the creator credits on the covers of *Josie # 22* (published in 1966) through *Josie and the Pussycats # 47* (published in 1970) with the exception of one issue read "by Dan 'n Dick," a reference to DeCarlo and Richard Goldwater of ACP, despite DeCarlo's contention that he was the sole creator of these characters.[13] Indeed, he knew that ACP licensed the *Josie* property to Hanna-Barbera for the production of animated programs that were telecast on CBS from 1970 to 1974 and that ACP, in his words, was "making a fortune" from the shows, yet DeCarlo neither received nor then demanded any

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[11] *Id.* § 20.

[12] *See* DeCarlo Dep. 215; Def. 56.1 St. § 14; Pl. 56.1 St. at 3.

[13] *See* DeCarlo Dep. 178; Def. 56.1 St. § 15; Pl. 56.1 St. at 3.

additional compensation.[14] He knew also that ACP had authorized release of *Josie* cartoons on videocassette and licensed the production of *Josie* underwear.[15] Indeed, when he learned in 1993 that *Josie and the Pussycats* cartoons were being aired on The Cartoon Network, he was, in his words, "pretty much hardened. . . . They're doing anything they want with the show, the character. And they were."[16] Yet through this entire period, plaintiff concededly never voiced any discontent to ACP about its use of the Josie characters or asserted any of the claims of ownership he now asserts.[17]

In due course, ACP entered into negotiations with Universal City Studios with a view to licensing motion picture rights in the *Josie* property. Not surprisingly, particularly in view of DeCarlo's reticence over the decades, it acted on the premise that it owned the entire right, title and interest in it. When Universal inquired in 1998 whether DeCarlo ever had made any claim to ownership or co-ownership in the property, ACP truthfully responded that he had not. Indeed, based on DeCarlo's silence, ACP took the position that Universal's " concerns vis-a-vis the copyright issue . . . are without any merit" and a "non-issue." Indeed, when it succeeded in licensing the motion picture rights, it relied upon DeCarlo's silence in agreeing to indemnify Universal against the consequences of any dispute that might arise as to ownership of the Josie characters.[18]

Prior Proceedings

Plaintiff commenced this action in New York Supreme Court, County of New York. The complaint contains five

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[14] *See* DeCarlo Dep. 146, 197-202, 221-26; Goldwater Dep. at 89- 90; Goldwater Dec. § 11; Def. 56.1 St. § 17; Pl. 56.1 St. at 3.

[15] *See* DeCarlo Dep. 231-32, 261-62; Def. 56.1 St. § 20; Pl. 56.1 St. at 3.

[16] *See* DeCarlo Dep. 234-36; Def. 56.1 St. § 21; Pl. 56.1 St. at 3.

[17] *See* Def. 56.1 St. § 23 (citing DeCarlo Dep. 73-74, 145-46, 148, 334-35, 178-79, 215-17, 219-20, 230-32, 236, 241-43, 311); Pl. 56.1 St. at 3.

[18] *See* Def. 56.1 St. §§ 58, 60 (citing Silberkleit Exs. 13A, 15, 16; DeRosa-Grund Decl. § 2).

causes of action. The first sets forth no discernable legal theory, but alleges that DeCarlo created the Josie, Melody and Pepper characters, that the 1988 and 1996 Agreements were limited to comic strips and books, and that ACP is using or licensing the characters for additional purposes including motion pictures. It seeks a declaration that plaintiff is the sole owner of the characters and has the exclusive right to use or license them for purposes other than comic books and comic strips. The second claims that ACP has breached its oral and written contracts with plaintiff by failing to pay certain royalties and by licensing the characters for unauthorized uses. The third and fourth are substantially identical to the second, but seek relief for alleged breaches of an implied covenant of good faith and fair dealing and of fiduciary duty, respectively. Finally, the fifth cause of action seeks to impose a constructive trust on assets derived from the allegedly improper use of the characters. ACP has counterclaimed for breach of the 1996 Agreement, claiming that DeCarlo has breached a covenant precluding him from taking actions inconsistent with ACP's exclusive rights in the Works.

On March 28, 2000, ACP removed the action to this Court. It asserts that plaintiff's first cause of action in fact arises under the Copyright Act and therefore is within the exclusive jurisdiction of the federal courts. It contends also that the Court should exercise supplemental jurisdiction over the balance of the complaint. Plaintiff disputes defendant's jurisdictional theory, contending that entire action is grounded exclusively in the common law of New York. In addition, ACP has moved for summary judgment dismissing the complaint and awarding it judgment on its counterclaim.

Discussion

I. Subject Matter Jurisdiction

Section 1338(a) of the Judicial Code[19] confers jurisdiction on United States district courts "of any civil action arising under any Act of Congress relating to . . . copyrights." ACP

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[19] 28 U.S.C. § 1338(a).

removed this action on the premise that plaintiff's first cause of action[20] arises under the Copyright Act of 1976.[21] DeCarlo moves to remand on the theory that the complaint does not invoke the Copyright Act and that there is no federal subject matter jurisdiction.

DeCarlo starts from the so-called "well pleaded complaint" rule — that the presence or absence of a claim arising under a federal statute ordinarily is determined from the face of the complaint — and from its corollaries, that the plaintiff is the master of its complaint and that federal question jurisdiction is not properly invoked on the basis of a federal defense to a state law claim.[22] As the first cause of action, he contends, rests solely on state law, the complaint raises no federal question. But DeCarlo overlooks the fact that "a plaintiff may not defeat removal by clothing a federal claim in state garb, or, as it is said, by use of 'artful pleading.'"[23] "If a plaintiff has pled what must necessarily be a federal claim, he has no state law available to choose as the basis for his suit."[24]

The essence of DeCarlo's claim is that he owns the Josie characters by virtue of state law, that he licensed them to ACP for limited purposes, and that he therefore has a state law claim for ACP's unlicensed uses. He rests his position on the premise that his "First Cause of Action . . . is not, as defendant claims, brought under the Copyright Act, but under principles of equity enunciated by the New York Court of

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[20] The second through fifth causes of action concededly do not arise under federal statutes and afford no basis for removal.

[21] 17 U.S.C. § 101 *et seq.*

[22] *See, e.g., Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 10, 103 S.Ct. 2841, 77 L.Ed.2d 420 (1983); *Louisville & Nashville R.R. Co. v. Mottley*, 211 U.S. 149, 152, 29 S.Ct. 42, 53 L.Ed. 126 (1908); *Dukes v. U.S. Healthcare*, 57 F.3d 350, 353 (3d Cir.), *cert. denied*, 516 U.S. 1009, 116 S.Ct. 564, 133 L.Ed.2d 489 (1995).

[23] *Travelers Indem. Co. v. Sarkisian*, 794 F.2d 754, 758 (2d Cir.), *cert. denied*, 479 U.S. 885, 107 S.Ct. 277, 93 L.Ed.2d 253 (1986).

[24] *Id.*

Appeals in the landmark case of *Fisher v. Star Co.*"[25] But the *Fisher* case[26] simply will not bear the weight that DeCarlo places upon it.

The plaintiff in *Fisher,* also a comic strip cartoonist, sued a newspaper publisher for printing purported versions of his comic strip drawn by another after its contract to publish the real thing had expired. *Fisher* held that this was tortious under New York unfair competition law on a "passing off" theory: Where "figures and names have been so connected with . . . the originator or author, . . . the use by another of new cartoons exploiting the characters . . . would be unfair to the public and the plaintiff. No person should be permitted to pass off as his own the thoughts and works of another."[27] While the court did characterize the plaintiff as "the owner of the property right existing in the characters" and suggested that this right derived from his creation of them,[28] these comments were unnecessary to the result.[29] Indeed, if there were any doubt that authorship was the basis for relief in *Fisher,* it was laid to rest by *Gotham Music Service, Inc. v. Denton & Haskins Music Publishing Co.*[30]

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[25] Pl. remand mem. at 12.

[26] 231 N.Y. 414, 132 N.E. 133 (1921).

[27] *Id.* at 433, 132 N.E. 133.

[28] *Id. at 432, 132 N.E. 133.*

[29] Unfair competition is a tort. 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 1.8, at 1-15 (4th ed.2000); *see, e.g., Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157, 109 S.Ct. 971, 103 L.Ed.2d 118 (1989). Insofar as it concerns passing off, the conduct at issue in *Fisher,* its rationale is the protection of consumer interests against deception — the portrayal of goods or services as products of a source other than those of their creator. *See generally, e.g., id.; Restatement (Third) of Unfair Competition* § 2 & comment (1995). The question whether the cartoonist enjoyed "property" rights in his drawings and, if so, the precise nature of those rights was immaterial to the decision in *Fisher.*

[30] 259 N.Y. 86, 181 N.E. 57 (1932).

The plaintiffs in *Gotham Music* revived an old, public domain song originally known as "Gambler's Blues," promoted it as "St. James' Infirmary," and turned it into a hit. A year latter, the defendant brought out the same tune under the title "St. James' Infirmary or Gambler's Blues" in the evident hope of "link[ing] both titles under one name so that a customer who called for either might be supplied" with defendant's music.[31] The plaintiffs obtained an injunction against the use of "St. James' Infirmary" in defendant's title, but the Court of Appeals reversed. In doing so, it distinguished *Fisher* — despite the fact that the plaintiffs had created the title "St. James' Infirmary" — because the title was associated with the music rather than with the plaintiffs as the authors of the music, and therefore "no question of imitation or deception or mistake arises."[32] *Gotham Music* therefore demonstrate that the basis of *Fisher* was the passing off or deception as to the source of the comic strips, not a property right stemming from the plaintiff cartoonist's creation of the comic strip characters. If the basis of protection in *Fisher* had been some common law property right arising from the cartoonist's creation of the characters alone, then a similar common law property arising from the plaintiffs' creation of the title in *Gotham Music* should have led to precisely the opposite result in that case.

The fact that there is no basis in *Fisher* for DeCarlo's claimed state law cause of action is not necessarily dispositive of the jurisdictional issue. The question, after all, is whether he has asserted a claim that necessarily depends on federal law; the absence of a state law basis for it goes only part of the way toward resolving that issue. The determinative point lies in the 1976 Copyright Act.

Under the Copyright Act of 1909, federal copyright attached upon publication of a work with the requisite copyright notice.[33] Protection of literary property in unpublished works

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[31] *Id.* at 89, 181 N.E. 57.

[32] *Id.* at 90, 181 N.E. 57.

[33] 17 U.S.C. § 10 (1976) (repealed 1978).

was left to state law.[34] Indeed, DeCarlo implies that his claimed rights derive from his original sketches of the Josie, Melody and Pepper characters, which never were published and which therefore were outside the scope of federal copyright protection at the time of their creation. The Copyright Act of 1976,[35] however, took a different approach. It provides that federal copyright protection attaches upon the fixation of a work in tangible form,[36] thus rendering publication immaterial for this purpose. It preempts state copyright law.[37] Moreover, the 1976 Act extinguished all common law copyright in unpublished works, although it provides that unpublished works created before January 1, 1978 are protected by federal law until December 31, 2002.[38] In consequence, if DeCarlo ever had any common law rights in these characters by virtue of his long unpublished original drawings, they were transformed by the 1976 Act into federally protected copyrights.

To be sure, "not every case involving federal copyright laws 'aris[es] under' those laws such that federal jurisdiction is proper . . ."[39] For example, many cases involving contracts relating to copyrights raise subtle questions as to whether the "arising under" standard is satisfied. But, after some years of uncertainty in our circuit, the test now is clear: a claim arises under the Copyright Act if "'(1) the complaint is for a remedy

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[34] *See* 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 1.01[B], at 1-8 to 1-9 (2000) (hereinafter NIMMER).

[35] 17 U.S.C. § 101 *et seq.*

[36] *Id.* § 102(a).

[37] *See* 17 U.S.C. § 301 (preempting state laws that create legal or equitable rights equivalent to any of the exclusive rights provided by § 106 of the Copyright Act).

[38] 17 U.S.C. § 303. *See also* H.R. REP. NO. 94-1476, 94th Cong., 2nd Sess. 139 (1976) (§ 303 intended "to substitute statutory for common law copyright for everything now protected at common law").

[39] *Berger v. Simon & Schuster*, 631 F.Supp. 915, 917 (S.D.N.Y.1986) (citing *T.B. Harms Co. v. Eliscu*, 339 F.2d 823 (2d Cir.1964), *cert. denied*, 381 U.S. 915, 85 S.Ct. 1534, 14 L.Ed.2d 435 (1965)).

expressly granted by the Act, e.g., a suit for infringement or for the statutory royalties for record reproduction . . .' or (2) 'the complaint . . . asserts a claim requiring construction of the Act . . ..'"[40]

DeCarlo's first cause of action alleges that he is the creator of the Josie characters,[41] that he granted ACP certain rights to use them, and that ACP is using them to DeCarlo's detriment beyond the scope of the rights granted to it. He seeks a declaration that he "is the sole owner of the comic book characters Josie, Melody and Pepper, and has the exclusive right to use or license them for purposes other than comic strips and comic books," as well as an injunction against and an accounting for revenues derived from improper use by ACP.[42] Thus, it is authorship that forms plaintiff's only alleged basis for rights in the Josie characters. Since the effective date of the Copyright Act of 1976, the exclusive source of rights arising from authorship of a work fixed in tangible form is that statute.

Plaintiff's first cause of action thus satisfies both alternative prongs of the test that determines whether a claim arises under the Copyright Act. The relief he seeks — a declaration of ownership of the characters, an injunction against infringement of his claimed rights, and an accounting with respect to infringing uses — is that traditionally available under the Act in cases of copyright infringement.[43] Moreover, his claim of authorship — in a situation in which there are conflicting stories about exactly who did what in creating these characters and comic strips — will require construction of the Act's work-for-hire provisions, among other relevant sections.

Plaintiff nevertheless argues that his claim does not arise under the Copyright Act because comic strip characters are

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[40] *Bassett v. Mashantucket Pequot Tribe*, 204 F.3d 343, 349 (2d Cir.2000) (quoting *T.B. Harms Co.*, 339 F.2d at 828).

[41] Cpt §§ 5-7, 9, 22.

[42] Cpt at 15-16.

[43] 17 U.S.C. §§ 501-504.

not susceptible of federal copyright protection. But he misconstrues the law. While the copyrightability of literary characters can present a troublesome question, "there has been no doubt that copyright protection is available for characters portrayed in cartoons. . . ."[44] This is so, explained one court, because the difficulties of distinguishing distinct attributes of a literary character from its embodiment of more general ideas and themes (the test for copyrightability offered by the Second Circuit in *Nichols v. Universal Pictures Corp.*[45]) do not arise, at least to the same degree, with visual images. "While many literary characters may embody little more than a protected idea, a comic book character, which has physical as well as conceptual qualities, is more likely to contain some unique elements of expression."[46] Such elements have been held to include "what the character thinks, feels, says and does and the descriptions conveyed by the author through the comments of other characters in the work," as well as "the visual perception . . . [which] tends to create a dominant impression. . . ."[47] Moreover, the protectible attributes in an animated character "extend . . . not merely to the physical appearance of the animated figure, but also to the manner in which it moves, acts and portrays a combination of . . . char-

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[44] *Warner Bros., Inc. v. American Broadcasting Companies, Inc.*, 720 F.2d 231, 240 (2d Cir.1983) (citing *Walt Disney Productions v. Air Pirates*, 581 F.2d 751 (9th Cir.), *cert. denied*, 439 U.S. 1132, 99 S.Ct. 1054, 59 L.Ed.2d 94 (1979)); *Detective Comics v. Bruns Publications, Inc.*, 111 F.2d 432, 433-34 (2d Cir.1940); *King Features Syndicate v. Fleischer*, 299 F. 533 (2d Cir.1924); *Hill v. Whalen & Martell*, 220 F. 359 (S.D.N.Y. 1914).

[45] 45 F.2d 119 (2d Cir.), *cert. denied*, 282 U.S. 902, 51 S.Ct. 216, 75 L.Ed. 795 (1931).

[46] *Walt Disney Productions*, 581 F.2d at 755. *See generally* Note, *When Mickey Mouse Is As Strong As Superman: The Convergence of Intellectual Property Laws to Protect Fictional Literary and Pictorial Characters, 44 STAN. L.REV. 623 (1992)* (discussing cases and noting that "[i]n contrast to the plight of literary characters, pictorial characters had a far easier time receiving protection against unauthorized use because of their physical embodiment").

[47] *Warner Bros., Inc.*, 720 F.2d at 240.

acteristics."[48] In consequence, DeCarlo's contention that cartoon characters are not protectible under the Copyright Act is, at best, a vast oversimplification.[49]

This circular does not support plaintiff's position. DeCarlo does not claim ownership of the "general theme" or "idea" of a trio of female friends who have a rock and roll band. He claims ownership of the original unpublished renderings of the characters, including Josie's "unique bouffant hairstyle," as well as the spotted cat costume that inspired the development of the character's appearance as a "pussycat," and the right to make derivative works based on those renderings. *See* Cpt at § 6. These elements are not "a mere delineation" of an idea or theme. They are, in fact, not necessary to the general theme of Josie at all; instead, they are distinct "pictorial and literary details [that] embody an arrangement of incidents and literary expressions original with the author, [and as such are] proper subjects of copyright." *Detective Comics*, 111 F.2d at 433-34.

Plaintiff here has engaged in "artful pleading."[50] Plaintiff's first cause of action alleges ownership of the literary property in the characters and requests injunctive relief from defendant's creation of derivative works. The protection due owners of literary and pictorial works, such as the cartoon characters at issue here, is governed exclusively by the federal copyright

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[48] *United Artists Corp. v. Ford Motor Co.*, 483 F.Supp. 89, 91 (S.D.N.Y. 1980).

[49] Plaintiff relies upon a circular published by the U.S. Copyright Office that gives a general background on what aspects of cartoon strips and characters are eligible for federal copyright protection. It notes that cartoons and comic strips are protected by federal copyright, but that such protection "does not extend to the title or general theme for a cartoon or comic strip or to the general idea or name for the characters depicted." It goes on to say that "intangible attributes of characters are not copyrightable, but a drawing, picture or depiction . . . of a character may be registered for copyright. However, copyright does not extend to the idea for the character itself."

[50] *See Travelers Indemnity Co.*, 794 F.2d at 758.

laws. The relief plaintiff seeks is that customarily available in actions for infringement. The claim therefore arises under the Copyright Act. As the second through fifth claims derive from a common nucleus of operative fact, the Court will exercise supplemental jurisdiction over them.[51] Accordingly, the motion to remand for want of subject matter jurisdiction is denied.

II. Defendant's Motion for Summary Judgment

Defendant moves for summary judgment dismissing all of plaintiff's claims and on its counterclaim for breach of the 1996 Agreement, which prohibits plaintiff from taking "'any action inconsistent with or that limits or challenges Archie's exclusive right to exploit the Works.'"[52]

A. Plaintiff's Ownership Claim

Plaintiff seeks a declaratory judgment that he is the creator and owner of the Josie characters.[53] He points to *Siegel v.*

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[51] 28 U.S.C. § 1367.

[52] Def. mem. 34 (quoting 1996 Agreement § 20).

[53] Plaintiff asserts there are three levels of rights involved in this case: (1) "the underlying work," consisting of the original Josie sketches from which the comic strips were derived; (2) the illustrated comic book series; and (3) the comic book periodicals, a compilation of the illustrated series. He claims ownership of the underlying work and contends he never transferred those rights. He concedes that he transferred to ACP limited rights in the illustrated series in the 1988 and 1996 Agreements. He concedes that ACP has a valid copyright in the periodicals, though only as a compilation.

The basis for DeCarlos's claim to rights in the series is unclear. His brief states that "only one [level of rights] is factually disputed," and it is clear from the brief that plaintiff is referring to the dispute as to who created the original characters that form the "underlying work." But his attorney's declaration asserts that "the illustrated stories remained unquestioned as the separate property of Mr. DeCarlo . . . independently for many years, until ACP claims they were transferred to ACP under agreements signed in 1988 and 1996." Seymour Decl. at 3. It is unclear whether plaintiff asserts independent ownership in the series or ownership based on his rights in the underlying work. If the former is the case, then it appears that plaintiff disputes that the illustrated series constituted a work

National Periodical Publications Inc.[54] for the proposition that his original sketches are the works underlying defendant's later-published derivative works, e.g., the Josie comic books,[55] and asserts that he owns the characters as the creator of the original sketches. ACP, however, contends that plaintiff's claim to ownership is barred by the statute of limitations.

As discussed above, and assuming that DeCarlo in fact was the sole creator of these characters as he claims, he presumably enjoyed common law copyright in the unpublished original sketches prior to the 1978 effective date of the Copyright Act of 1976. At that time, however, the new Act preempted common law copyright and established federal protection for unpublished works, although Section 301(b)(2) preserved state law claims with respect to "any cause of action arising from undertakings commenced before January 1, 1978."[56]

The extent to which DeCarlo's claims arise from pre-1978 "undertakings" within the meaning of Section 301(b)(2) is not entirely clear. Most courts have held that the "undertaking" in an infringement claim is the alleged infringement, not the creation of the underlying work. *See Hays v. Sony Corp. of Am.*, 847 F.2d 412, 415 (7th Cir.1988); *Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F.Supp. 1523, 1531 (S.D.N.Y.1985). Where the claim is one of ownership the "undertaking" at least arguably would be the defendant's alleged action in derogation of the plaintiff's ownership rights. *See Merchant v. Levy*, 92 F.3d 51, 56 (2d Cir.), *cert. denied*, 519 U.S. 1108, 117 S.Ct. 943, 136 L.Ed.2d 833 (1997)

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made for hire. It is impossible to ascertain plaintiff's position in regard to this issue, as he has refused to make any arguments applicable to the copyright issues in this case.

[54] 508 F.2d 909 (2d Cir.1974).

[55] *Siegel* held that the original renderings of the Superman cartoon character constituted the original works, later elaborations of which constituted derivative works. 508 F.2d at 914. *See also* 1 NIMMER § 5.03 [B][1][b], at 5-31 n. 92.

[56] 17 U.S.C. § 301(b)(2).

(ownership or co-ownership claims accrue when the claim knows or has reason to know of injury caused by competing claim). But the precise meaning of "undertakings" here is immaterial. Even if DeCarlo retained a cause of action under state law for ACP's pre-1978 acts, that claim would be time-barred. *See* N.Y. CPLR § 214 (McKinney 1990) (three year statute of limitations for claims involving injury to property); *Christian Thee v. Parker Bros. Inc.*, No. 75 Civ. 1554 (CPS), 1978 WL 950, at *4 (E.D.N.Y. March 7, 1978) (applying § 214's three year statute of limitations to common law copyright claims).

Section 507(b) of the 1976 Act provides that "[n]o civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued."[57] As the Second Circuit held in *Merchant v. Levy*, "[a] cause of action [for a declaration of copyright ownership] accrues when a plaintiff knows or has reason to know of the injury upon which the claim is premised."[58] Plaintiff here has known for many years that ACP claimed ownership of the Josie characters, including the rights to license motion pictures, merchandise, and other uses going well beyond comic strips and comic books. Indeed, DeCarlo testified at his deposition that he was well aware that ACP was "doing anything they want with the show, the character." Yet he did nothing until the commencement of this suit.

Merchant is closely in point. Plaintiffs there claimed to have co-authored the song "Why Do Fools Fall in Love" 1955. Frankie Lymon subsequently modified the song and made it a hit record of the 1950's, and did not list plaintiffs' names as authors on the Copyright. Plaintiffs were aware of Lymon's actions at the time. In 1987, plaintiffs sued those who owned the copyright, whose rights derived from Lymon, for a declaration that they were co-owners. But the Court of Appeals held that plaintiffs' ownership claim accrued in 1961, when

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[57] 17 U.S.C. § 507(b).

[58] 92 F.3d 51, 56 (2nd Cir.1996).

they reached majority and were charged with knowledge of the competing claims, and that the claim to ownership therefore was barred by the statute of limitations:

"We hold that plaintiffs claiming to be co-authors are time-barred three years after accrual of their claim from seeking a declaration of copyright co-ownership rights and any remedies that would flow from such a declaration. [citation omitted] Our conclusion promotes the principles of repose integral to a properly functioning copyright market."[59]

As there is no meaningful distinction between an action seeking a declaration of co-ownership and one seeking a declaration of sole ownership, the same result follows here. And the result is sound for the same reason — the interest in repose after all these years is compelling, particularly after DeCarlo silently watched ACP claim ownership in these characters literally for decades.

B. The Remaining Claims

Plaintiff's remaining claims are for breach of contract, breach of fiduciary duty, and breach of the implied covenant of good faith and fair dealing. He purports also to assert a claim for the imposition of a constructive trust, although that of course is a remedy rather than a cause of action. As previously noted, however, all of these claims rest on a single premise: that DeCarlo's original sketches are the works underlying all subsequent iterations of the Josie characters and that he owns those sketches and the literary property inherent in them. Everything else — such as the licensing of merchandise, animated cartoons and live-action motion pictures — he contends, is derivative of those sketches. Accordingly, he maintains that all of ACP's exploitation of the characters violated plaintiff's rights except to the extent that plaintiff licensed ACP's actions by the parties' agreements.[60]

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[59] *Id. at 56-57.*

[60] Cpt. § 24.

Assuming *arguendo* that DeCarlo was the sole creator of the underlying sketches and characters, a proposition that defendant sharply disputes, there would be an interesting question as to whether the 1996 Agreement assigned his entire right, title and interest to ACP.[61] But it is unnecessary to re-

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[61] Section 19 of the 1996 Agreement assigned to ACP any right, title and interest DeCarlo may have had in "any past, pending or future contributions by [DeCarlo] to the Works or Properties," including all copyrights and other proprietary rights. "Properties" was defined in the first sentence of the Agreement as "comic strips and comic books that include characters, artwork, stories, plots . . . and other creative expressions" produced and/or published by ACP. The Agreement provided further that "references to 'Properties' . . . will include existing and future-created Properties that are commissioned by [ACP] and/or used in any of [ACP"s] publications *or licensed products."* (Emphasis added.) "Works" were defined as "[a]ll past, pending, and future uses of 'Properties.'" 1996 Agreement §§ 1-2. Thus, the pivotal question is whether any rights DeCarlo had in the underlying sketches or the characters properly are characterized as "contributions" to the Works or Properties.

DeCarlo argues that the "Properties" referred to in paragraph 19 of the 1996 Agreement were solely comic books and comic strips and, in consequence, that his "contributions" to the "Properties" were limited only to the end-product drawings that ACP commissioned him to produce for publication. Thus, he would have the Court conclude that his original sketches and characters were not "contributions" to the "Properties" and therefore were not assigned to ACP.

DeCarlo's argument is difficult to reconcile with the fact that the Agreement defined "Properties" to include "licensed products." Plaintiff concedes that the "licensed products" include dolls, recordings, animated cartoons, and live-action motion pictures. Cpt. § 23(b). The Agreement therefore implies that plaintiff made "contributions" to "licensed products." Those contributions of necessity could not be limited to the end-product comic strips he drew. They must include other aspects of the characters. Nevertheless, in view of the basis upon which the Court disposes of defendant's motion for summary judgment dismissing the complaint, it is unnecessary to determine whether the Agreement is sufficiently unequivocal to warrant a determination as a matter of law that plaintiff assigned any right, title and interest in the original sketches and characters to defendant or, instead, whether it is ambiguous and thus raises a genuine issue of fact.

solve that issue, as defendant correctly contends that plaintiff is equitably estopped to pursue his remaining claims.

Equitable estoppel applies in both law and equity to deny a litigant "the right to plead or prove an otherwise important fact because of something he has done or omitted to do."[62] It applies in actions for breach of contract and fiduciary duty[63] as well as for copyright infringement-a fact that is significant here, as plaintiff's breach of contract action may well be preempted by the Copyright Act.[64] Whether applied to contract actions under New York law or copyright infringement actions under federal law, equitable estoppel requires proof that (1) plaintiff had knowledge of defendant's conduct; (2) plaintiff either (a) intended that defendant rely on plaintiff's acts or omissions or (b) acted or failed to act in such a manner that defendant had a right to believe it was intended to rely on plaintiff's conduct; (3) defendant was ignorant of the true facts; and (4) defendant relied on plaintiff's conduct to its detriment.[65]

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[62] *Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Services*, 746 F.Supp. 320, 329 (S.D.N.Y.1990).

[63] Plaintiff asserts breach of contract, breach of the covenant of good faith and fair dealing, and breach of fiduciary duty. Because the covenant of good faith and fair dealing stems from the contractual relationship, it is subsumed in the breach of contract claim for purposes of the equitable estoppel defense. The fiduciary duty between plaintiff and defendant stems, if at all, from the relationship borne of the Josie series. Because equitable estoppel is a defense founded on plaintiff's conduct in the relationship, it is a defense to the breach of fiduciary duty claim, as well, and the discussion of equitable estoppel here applied to both claims.

[64] Where a claim for breach of contract fails to assert an "extra element" outside those necessary for a claim of copyright ownership or infringement, it "can serve as a subterfuge to control nothing other than reproduction, adaptation, distribution, etc., of works within the subject matter of copyright" and therefore is preempted by the Copyright Act. 1 NIMMER § 1.01[B][1][a], at 1-19 to 1-22. By parity of reasoning, the same principle extends to other theories of relief.

[65] *See Penguin Books U.S.A., Inc. v. New Christian Church of Full Endeavor, Ltd.*, No. 96 Civ. 4126(RWS), 2000 WL 1028634, at *17

Here, the essence of plaintiff's second through fifth causes of action arguably is substantially identical to that of an infringement claim. As estoppel extends to these claims regardless of how they are characterized, however, there is no need to resolve the preemption issue.

The first element plainly is satisfied here, as DeCarlo indisputably knew that ACP conducted itself as if it owned the rights that DeCarlo now claims belong to him. He admits that in 1963 he read the copyright notice in *She's Josie # 1,* which claimed sole copyright in "cover and content" in ACP's subsidiary, Radio Comics. He admits that he understood in 1963 that Radio Comics, an ACP affiliate, claimed sole ownership of the copyright; he testified in fact that he "didn't think it was right" for it to do so.[66] He knew that the covers of Josie # 22 (published in 1966) through Josie and the Pussycats # 47 (published in 1970) bore the creator credit "by Dan 'n Dick", in reference to plaintiff and Richard Goldwater, then the managing editor and now co-owner of ACP.[67] He learned of ACP's license of the Josie property to Hanna-Barbera for the production of animated programs which aired on CBS from 1970 to 1974, and admits he knew ACP was "making a fortune" from the shows although he received no compensation.[68] He learned "a long time ago" that some of the Josie cartoons had been released on videocassette and that there had been a Josie underwear license.[69] DeCarlo testified at his deposition that he "had heard some talk about 'Josie' merchandising . . .

(S.D.N.Y. July 25, 2000) (copyright infringement); *General Elec. Capital Corp. v. Armadora*, 37 F.3d 41, 45 (2d Cir.1994) (contract). *See also* 3 NIMMER § 13.07, at 13-133 n. 2 (contract actions for royalties). While the elements are worded slightly differently in infringement actions to account for the facts unique to such cases, the essential requirements are identical.

[66] *See* DeCarlo Dep. at 215; Def. 56.1 St. § 14; Pl. 56.1 St. at 3.

[67] *See* DeCarlo Dep. at 178; Def. 56.1 St. § 15; Pl. 56.1 St. at 3.

[68] *See* DeCarlo Dep. at 146, 221-26; Def. 56.1 St. § 17; Pl. 56.1 St. at 3.

[69] *See* DeCarlo Dep. at 231-32; Def. 56.1 St. § 20; Pl. 56.1 St. at 3.

maybe ten years ago."[70] He knew in 1993 that Josie and the Pussycats cartoons were being aired on The Cartoon Network, and testified in his deposition, "I was pretty much hardened at that point. This is it. They can do — They're doing anything they want with the show, the character. And they were."[71]

The second element of equitable estoppel also is present: DeCarlo conducted himself in a manner that gave ACP a right to believe it was intended to rely on his acquiescence in its actions. Silence or inaction in the face of an explicit contrary assumption by the opposing party may be sufficient to induce justifiable reliance by a defendant that a plaintiff will not later assert a claim.[72] Moreover, the "duty to speak need not be a purely legal one."[73] It is, instead, a duty of good faith: "[W]hen one party in a relationship with another has an opportunity to speak in order to avoid harm or injury to the other party and fails to do so to the ultimate prejudice of the other party, he will be estopped from relying thereafter on that relationship."[74] Finally, "it is immaterial to a claim of

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[70] *See* DeCarlo Dep. at 261; Def. 56.1 St. § 20; Pl. 56.1 St. at 3.

[71] *See* DeCarlo Dep. at 234-36; Def. 56.1 St. § 21 Pl. 56.1 St. at 3.

[72] *See General Elec. Cap. Corp.*, 37 F.3d at 45-46 (defendant's silence in the face of plaintiff's assertion of its interpretation of contract provision falsely misrepresented defendant's intent to later challenge the interpretation, and induced plaintiff's reliance that defendant would not so challenge). *C.f. Merchant v. Lymon*, 828 F.Supp. 1048, 1064-65 (S.D.N.Y. 1993), *rev'd on other grounds, Merchant v. Levy*, 92 F.3d 51 (2d Cir.), *cert. denied*, 519 U.S. 1108, 117 S.Ct. 943, 136 L.Ed.2d 833 (1997) (acknowledging silence and inaction may induce justifiable reliance by defendant in copyright infringement action that plaintiff would not pursue an infringement claim).

[73] *CBS, Inc. v. Stokely-Van Camp, Inc.*, 522 F.2d 369 (2d Cir.1975) (citing *Simmons v. Westwood Apartments Co.*, 46 Misc.2d 1093, 261 N.Y.S.2d 736, 740 (N.Y.Sup.1965), *aff'd on other grounds*, 26 A.D.2d 764, 271 N.Y.S.2d 731, *leave to appeal denied*, 18 N.Y.2d 786, 275 N.Y.S.2d 271, 221 N.E.2d 811 (1966)).

[74] *Id.* (internal citations omitted).

estoppel that there was no actual attempt to defraud or mislead."[75]

While there are cases to support the view that omissions rarely satisfy the elements of estoppel in copyright infringement actions, they do not control here. Unlike the defendants in *Merchant v. Lymon,*[76] defendant here was not "in the position to ascertain the extent of the competing claim."[77] Until filing this suit, plaintiff admits that he had never so much as voiced his discontent to ACP about its use of the Josie characters, or said anything to ACP regarding the existence of his alleged ownership rights or the alleged contractual obligations of ACP which he now asserts.[78] Plaintiff does not deny that he never complained to ACP or otherwise made it known to them that he claimed rights to the Josie characters; rather, he argues that ACP knew of his claim to the characters "from at least 1962 when it copyrighted *only* the comic book periodical as a 'composite work.'"[79] However, ACP's copyright notice on the Josie periodicals read "Cover and content protected by copyright throughout the world," indicating that ACP indeed did believe that it possessed the rights not only to the composite work but also to the individual works within it. The fact that plaintiff never attempted to register or renew a copyright in any work that included any Josie character would indicate to ACP that plaintiff had no claim to the Josie characters, or at least never intended to pursue such a claim. And plaintiff did nothing to refute that assumption. In short, DeCarlo's failure ever to voice a complaint or make a competing claim in the face of numerous opportunities to do so —

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[75] *Id.* (citing *Rothschild v. Title Guarantee & Trust Co.*, 204 N.Y. 458, 462, 97 N.E. 879 (1912)).

[76] 828 F.Supp. 1048 (S.D.N.Y.1993).

[77] *Id. at 1064-1065.* In *Merchant,* defendants not only knew of plaintiffs' claim to ownership of the copyright, but also attempted to conceal the royalties from plaintiffs and in part caused plaintiffs silence and inaction.

[78] *See* Def. 56.1 St. § 23 (citing DeCarlo Dep. at 73-74, 145-46, 148, 334-35, 178-79, 215-17, 219-20, 230-32, 236, 241-43, 311); Pl. 56.1 St. at 7.

[79] Pl. 56.1 St. at 7.

not least, at the point where he signed the 1996 Agreement with which he was "very unhappy"[80] — gave ACP the right to rely on his silence.[81]

And rely defendant did-to its detriment. In connection with ACP's negotiations with Universal to license film rights in the *Josie* property, Universal in September 1998 asked ACP whether "DeCarlo ever made any claim to ownership or co-ownership to the property." ACP answered the question truthfully in the negative. Based on DeCarlo's silence throughout decades of ACP's use of the characters as well as two written agreements, ACP also took the position that Universal's "concerns vis-a-vis the copyright issue . . . are without any merit" and "a non-issue which is being over-lawyered." It decided not to investigate any potential claims to ownership DeCarlo might have had and urged Universal to execute the licensing agreements without further delay. Indeed, ACP agreed to indemnify Universal should any dispute arise as to ownership of the Josie characters.[82]

Finally, ACP plainly was ignorant of the facts now alleged by DeCarlo, i.e., that he claims ownership in the Josie characters.

In these circumstances, DeCarlo is equitably estopped from claiming that ACP has violated his rights in the Josie prop-

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[80] *See* DeCarlo Dep. at 168-174.

[81] Though a defense of equitable estoppel often raises issues of fact, *see Petrelli v. City of Mount Vernon*, 9 F.3d 250, 256 (2d Cir.1993), it does not always do so. If there is no evidence upon which a trier of fact reasonably could find for the plaintiff the issue may be decided upon a motion for summary judgment. *See id.* (citing *Anderson v. Liberty Lobby Inc.*, 477 U.S. 242, 251-52, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986) (when "evidence is so one-sided . . . one party must prevail as a matter of law")). Courts, in fact, have decided the issue of justifiable reliance as a matter of law. *See City of New York v. Shalala*, 34 F.3d 1161, 1168 (2d Cir.1994); *Hospital Association of New York State, Inc. v. Toia*, 577 F.2d 790, 797 (2d Cir.1978).

[82] *See* Def. 56.1 St. at 58,60 (citing Silberkleit Ex. 13A, 15, 16; DeRosa-Grund Decl. § 2).

erty and characters, whether those claims are couched in terms of copyright, contract or some other legal theory. Defendant is entitled to summary judgment dismissing the second through fifth causes of action.

III. Defendant's Counterclaim

Defendant moves for summary judgment on its counterclaim for breach of paragraph 20 of the 1996 Agreement, which provides that "Contractor will not take any action that is inconsistent with or that limits or challenges Archie's exclusive right to exploit the Works and/or the Properties. . . ."[83] Defendant claims that plaintiff's initiation of this action constituted a breach and requests damages in the form of attorneys' fees and litigation costs, as well as compensation for lost work of employees involved in this litigation. DeCarlo moves for summary judgment dismissing ACP's counterclaim.

Attorney's fees ordinarily "are incidents of litigation" and may not be recovered from the losing party absent an agreement between them, a statute, or a rule.[84] Moreover, an agreement may not require indemnification for attorneys fees unless the intention to indemnify "is unmistakably clear from the language of the promise."[85] The same rules apply by analogy to the other litigation-related costs of which ACP requests recovery.

The clause relied upon by ACP does not explicitly provide for indemnification of litigation costs; it states only that DeCarlo "will not take any action that is inconsistent with or that limits or challenges" ACP's rights to exploit the Works and/or Properties. The New York Court of Appeals has found language less vague than that here to be inexplicit for pur-

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[83] *See* 1996 Agreement § 20.

[84] *Coastal Power Int'l, Ltd. v. Transcontinental Capital Corp.*, 10 F.Supp. 2d 345, 370 (S.D.N.Y.1998) (quoting *Hooper Associates, Ltd. v. AGS Computers, Inc.*, 74 N.Y.2d 487, 491, 549 N.Y.S.2d 365, 366 (1989)).

[85] *Id.* at 492, 549 N.Y.S.2d at 367, 548 N.E.2d 903.

poses of recovering attorneys fees.[86] Accordingly, this Court finds no basis under New York law for enforcing paragraph 20 of the 1996 agreement against DeCarlo by compelling him to pay ACP's legal fees.

Conclusion

For the foregoing reasons, plaintiff's motion to remand the action to the New York State court for lack of subject matter jurisdiction is denied. Defendant's motion for summary judgment is granted to the extent that it seeks dismissal of the complaint. Insofar as it seeks judgment in favor of defendant on its counterclaim, the motion is denied. Plaintiff's cross motion for summary judgment striking ACP's defenses is denied, and its motion for summary judgment dismissing ACP's counterclaim is granted. In view of the disposition of these motions, plaintiff's motion to disqualify defendant's counsel is denied as moot.

SO ORDERED.

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[86] *Id.*

Appendix C

CIRCULAR 44 — Cartoons and Comic Strips

United States Copyright Office

IN GENERAL

The copyright law of the United States (title 17 of the United States Code) provides for copyright protection of literary and artistic works. Copyright protection begins automatically when a work is first created in a fixed form. Cartoons and comic strips are among the types of works of authorship protected by copyright. This protection extends to any copyrightable pictorial or written expression contained in the work. This protection does not extend to the title or general theme for a cartoon or comic strip or to the general idea or name for the characters depicted. Intangible attributes of characters are not copyrightable, but a drawing, picture, or depiction or a written description of a character may be registered for copyright. However, copyright does not extend to the idea for the character itself. A character may be protected under aspects of state, common, or trademark laws. Likewise, titles and names may sometimes be protected under state law doctrines or state and federal trademark laws, but such protection is not provided for in the copyright code. Consult an attorney for details.

COPYRIGHT REGISTRATION

Cartoons and comic strips may be registered in either published or unpublished form. While registration is not a condition of protection for works first published on or after January 1, 1978, or for unpublished works, there are certain advantages, including the establishment of a public record of the copyright claim. See Circular 1, "Copyright Basics," for more details.

The correct application form and deposit for registering a copyright claim depend on the nature of the work and the way in which it is presented. Because a cartoon is generally a work of the visual arts, Form VA is usually appropriate for registration. However, if the textual elements in a comic strip are preponderant, registration should be made on Form TX.

To register cartoons or comic strips, send the following three elements to the Copyright Office in the same envelope or package:

1. a completed application
2. a $30[1] nonrefundable filing fee payable to the Register of Copyrights and
3. a nonreturnable deposit of the work to be registered

DEPOSIT REQUIREMENTS

The deposit requirements for cartoons and comic strips will vary in particular situations. The general requirements are as follows:

- If the work is unpublished, one complete copy.
- If the work was first published in the United States on or after January 1, 1978, two complete copies of the best edition.
- If the work is a contribution to a collective work and first published on or after January 1, 1978, one of the following: one complete copy of the best edition of the entire collective work, the complete section containing the contribution if published in a newspaper, the entire page containing the contribution, the contribution cut from the paper in which it appeared, or a photocopy of the contribution itself as it was published in the collective work. If first published before January 1, 1978, one complete copy of the issue as first published containing the contribution.
- If the work was first published in the United States before January 1, 1978, two complete copies of the work as first published.

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[1] NOTE: Registration filing fees are effective through June 30, 2002. For information on the fee changes, please write the Copyright Office, check the Copyright Office Website at www.loc.gov/copyright, or call (202) 707-3000.

- If the work was first published outside the United States, whenever published, one complete copy of the work as first published.

REGISTRATION OF COLLECTIONS AND CONTRIBUTIONS

A single registration may be made for cartoons published as a unit (for example, a comic book), provided that the copyright claimant is the same for all elements in the unit.

Two or more unpublished cartoons or comic strips may be considered for registration as a unit on a single application when submitted with a $30[2] nonrefundable filing fee and a nonreturnable deposit of the work if the following conditions are met:

1. the selections are assembled in an orderly form;
2. the combined selections bear a single title identifying the collection as a whole;
3. the copyright claimant in all the selections and in the collection as a whole is the same; and
4. all the selections are by the same author, or, if they are by different authors, at least one of the authors has contributed copyrightable authorship to each of the selections.

Works registered as a collection will be recorded in the records of the Copyright Office only under the collective title. *Copyright registration of cartoons and comic strips extends only to copyrightable selections deposited at the time of registration.* There is no blanket registration that will cover works to be produced in the future.

A cartoon or comic strip published as a contribution to a collective work (for example, a periodical or newspaper) may be considered for group registration if certain conditions are met. Contact the Copyright Office for information and instructions on group registration for contributions to periodicals.

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[2] (See note regarding filing fees on previous page.)

NOTICE OF COPYRIGHT

Before March 1, 1989, the use of copyright notice was mandatory on all published works, and any work first published before that date should have carried a notice. For works first published after March 1, 1989, the copyright notice is optional. For more information about copyright notice, see Circular 3, "Copyright Notice."

FOR FURTHER INFORMATION

To speak to an information specialist, call (202) 707-3000 (TTY: (202) 707-6737), Monday through Friday, 8:30 a.m. to 5:00 p.m., eastern time, except federal holidays. Order forms and other publications from:

Library of Congress
Copyright Office
Publications Section, LM-455
101 Independence Avenue, S.E.
Washington, D.C. 20559-6000

or call the Forms and Publications Hotline 24 hours a day at (202) 707-9100. Most circulars (but not forms) are available via fax. Call (202) 707-2600 from a touchtone phone and follow prompts. Access and download circulars, forms, and other information from the Internet at: *www.loc.gov/copyright.*

EFFECTIVE DATE OF REGISTRATION

A copyright registration is effective on the date the Copyright Office receives all the required elements in acceptable form, regardless of how long it then takes to process the application and mail the certificate of registration. The time the Copyright Office requires to process an application varies, depending on the amount of material the Office is receiving.

If you apply for copyright registration, you will not receive an acknowledgment that your application has been received (the Office receives more than 600,000 applications annually), but you can expect:

- a letter or a telephone call from a Copyright Office staff member if further information is needed or
- a certificate of registration indicating that the work has been registered, or if the application cannot be accepted, a letter explaining why it has been rejected

If you want to know the date that the Copyright Office receives your material, send it by registered or certified mail and request a return receipt.

Library of Congress
Copyright Office
101 Independence Avenue, S.E.
Washington, D.C. 20559-6000
www.loc.gov/copyright

SUPREME COURT, U.S.
FILED
NOV 1 200

No. 01-556

IN THE

Supreme Court of the United States

DANIEL S. DeCARLO,

Petitioner,

v.

ARCHIE COMIC PUBLICATIONS, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Whether Petitioner's First Cause of Action requesting a declaratory judgment that he owns certain graphically-depicted comic book characters is properly construed as a claim of copyright ownership arising under federal law.

STATEMENT PURSUANT TO RULE 29.6

Archie Comic Publications, Inc. has no parent corporation and no publicly held corporation owns 10% or more of its stock.

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STATUTORY PROVISIONS

Section 102(a) of the Copyright Act, 17 U.S.C. § 102(a) (2001), provides:

> Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:
>
> (1) literary works;
> (2) musical works, including any accompanying words;
> (3) dramatic works, including any accompanying music;
> (4) pantomimes and choreographic works;
> (5) pictorial, graphic, and sculptural works;
> (6) motion pictures and other audiovisual works;
> (7) sound recordings; and
> (8) architectural works.

Section 301(a) of the Copyright Act, 17 U.S.C. § 301(a) (2001), provides:

> On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright

as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

INTRODUCTION AND SUMMARY OF THE ARGUMENT

The Petition misstates the question presented by this case. This case is not about the preemption of common law property rights in the "intangible characteristics and personalities of original literary and cartoon characters." *Petition* at i. The question raised by Petitioner's complaint and the decisions below is whether Petitioner's First Cause of Action is properly construed as a claim of copyright ownership in graphically-depicted comic book characters. Petitioner's "basic claim" is not "breach of contract," as he asserts in the Petition. *Id.* at 6. His basic claim is his request for a declaratory judgment that he owns the Josie, Melody and Pepper comic book characters. [A-6–A-7].[1]

Petitioner's First Cause of Action asserts that Petitioner owns the characters because he fixed (*i.e.* drew) them in a tangible medium of expression, comic strips. It does not assert ownership of aspects of the characters that are beyond the scope of copyright, such as the intangible "ideas" behind

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1. References in the format "[A-__]" or "[B-__]" are to the opinions of the Second Circuit and District Court, respectively, in the Appendix to the Petition. References in the format "[Record __]" are to the Joint Appendix filed on appeal to the Second Circuit.

them or their names. It does not assert ownership of the characters' "personalities" separate from their graphic depictions. The Second Circuit thus correctly concluded that the First Cause of Action "on its face, raised a federal copyright issue." [A-5].

Since 1940, the Circuit Courts that have addressed the issue have been unanimous in holding that graphically-depicted comic book characters fall within the scope of copyright so long as they are delineated with sufficient particularity. Thus, the holding in the Second Circuit's unpublished Second Summary Order that comic book characters are copyrightable involves no novel proposition of law.

The confusion noted in the Petition as to the copyrightability of characters, and the differences in approach between the Second and Ninth Circuits, arise in connection with literary and live-action film characters, not comic book characters. The copyright issues raised by these characters are qualitatively different from the issues raised by graphically-depicted comic book characters, as to which the Courts of Appeals are in harmony. A decision in this case, therefore, will not reduce the confusion noted in the Petition or resolve a conflict between the Circuit Courts.

During the proceedings below, Petitioner relied on *Fisher v. Star Co.*, 132 N.E. 133 (N.Y. 1921), in support of his assertion that his ownership claim arises under New York law. [A-5; B-9–B-11]. The District and Circuit Courts correctly found that *Fisher* established a passing off claim, not a property interest arising from a cartoonist's creation of comic book characters. *Id.* Petitioner continues to argue, without citation to any authority, that New York's common

law confers a property right in the "intangible attributes" of comic book characters as they "exist in the creator's imagination and memory." *Petition at 14*. However, there is no basis in New York law for such a right.

Moreover, Petitioner's complaint cannot reasonably be construed as asserting an ownership interest in the "personalities" of the characters to the exclusion of their graphic depictions. Thus, although the term "copyright" does not appear in the complaint, the courts below correctly concluded that the First Cause of Action, by its very nature as pled, asserts a property interest that is a creature of federal copyright law. Application of the artful pleading doctrine to construe Petitioner's First Cause of Action as asserting a claim of copyright ownership is consistent with the well-pleaded complaint and master of the complaint rules, and does not merit this Court's attention.

STATEMENT OF FACTS

The parties dispute the circumstances surrounding the creation of the Josie, Melody and Pepper characters, as well as the later incarnation of Josie and Melody as members of the cartoon band, Josie and the Pussycats. Petitioner claims that he first drew the characters in *Josie* comic strips that he created on his own in the mid-1950s. *Petition* at 4. Respondent claims that the original *Josie* comic strips in which the characters were created were prepared later, at its instigation, as works-for-hire, and that further development of the characters occurred in comic book stories that it commissioned from its writers and assigned to Petitioner and other artists to illustrate, also as works-for-hire. [A-2; B-16; Record 136–39]. It is undisputed that, for nearly forty years, Respondent has conducted itself as the sole owner of all rights

in the characters, and has used and licensed third parties to use them for a wide variety of goods including comic books, dolls, animated television cartoons and other merchandise. [A-3, A-7–A-8, B-19, B-22–B-25]. Most recently Respondent licensed Universal City Studios, Inc. to produce a Josie and the Pussycats live-action movie. [Record 150].

Respondent disputes a number of the assertions contained in Petitioner's Statement of Facts. However, as these are not germane to the issues raised by the Petition, they will not be addressed.

STATEMENT OF THE CASE

The Prayer for Relief for Petitioner's First Cause of Action requests, *inter alia*, a declaratory judgment that Petitioner "is the sole owner of the comic book characters Josie, Melody and Pepper, and has the exclusive right to use or license same for purposes other than comic strips and comic books." [Record 31-32]. The complaint does not identify the legal theory underpinning the First Cause of Action. [B-8]. However, it alleges, *inter alia*, that:

- In the mid-1950s, Petitioner DeCarlo "began developing a new female comic book character he would eventually call 'Josie.' " ¶5.

- "During this creative process," DeCarlo's wife "came home . . . wearing her hair in a new style . . . and the Josie comic book character's unique bouffant hairstyle was born. . . . Later, her appearance in a costume as a spotted cat . . . inspired Mr. DeCarlo's development of the Josie character's appearance as a 'pussycat'." ¶6.

- "[I]n or about 1961 . . . DeCarlo showed a Josie strip, including 'Melody' and 'Pepper,' two other characters he had independently created, to Archie Comics' Richard Goldwater." ¶9.

- "Richard Goldwater and his father, . . . an Archie Comics principal, decided to and did publish the first Josie comic book, *She's Josie*, in 1963." ¶11.

- "As compensation for his creative work and pencil drawings of *She's Josie*, Dan DeCarlo was paid a flat page-rate of $23 per page." ¶12.

- "Archie Comics continued to compensate Mr. DeCarlo on a page-rate basis for all drawings he prepared in connection with the Josie comic books." ¶13.

- "Archie Comics has licensed or otherwise used the plaintiff's comic book characters 'Josie,' 'Melody' and 'Pepper' . . . for purposes other than comic strips and comic books, including dolls, recordings, animated cartoons and live-action motion pictures based on plaintiff DeCarlo's said comic book characters, all without plaintiff's consent." ¶20.

- "[U]nless enjoined . . . defendant intends to continue . . . to wrongfully use and otherwise profit from plaintiff's creation of the Josie, Melody and Pepper characters, as well as from works derived from their creation." ¶22.

[Record 17-33].

The Second Circuit concluded from these allegations and the prayer for relief that the First Cause of Action arises under the Copyright Act because, "on its face, DeCarlo's claim is based on his allegation that he created and authored the Josie characters, and therefore owns the rights to them." [A-7].

Petitioner's Second through Fifth Causes of Action assert state law claims for breach of contract and fiduciary duty. [B-19]. The District Court exercised supplemental jurisdiction over these claims [B-16] and granted summary judgment to Respondent on equitable estoppel grounds. [B-21, B-25–B-26]. The Court of Appeals affirmed. [A-8].

In holding that the complaint asserts a claim that arises under the Copyright Act, the District and Circuit Courts relied solely on the First Cause of Action — which asserts ownership based on authorship. [A-8; B-16]. The breach of contract and other state law claims contained in the Second through Fifth Causes of Action played no part in the lower courts' exercise of jurisdiction. [*Id.*; B-9 n.20].

THE FIRST CAUSE OF ACTION ASSERTS THAT PETITIONER OWNS GRAPHICALLY-DEPICTED CHARACTERS FIXED IN A TANGIBLE MEDIUM OF EXPRESSION

Petitioner argues that the ownership interest asserted in his First Cause of Action refers only to "*intangible attributes* of cartoon characters — specifically (a) *names*, (b) *personalities*, (c) *mannerisms*, (d) *style* or (e) '*look*' — that are not protectable under federal copyright law, but are property rights enforceable under state law." *Petition* at 7 (italics in original). He concedes that "the drawings of cartoon characters and written word descriptions of their special qualities (e.g. 'Superman') *can* be

copyrighted," but asks "what about their intangible attributes — personalities, mannerisms, style, and 'look' that exist in the creator's imagination and memory?" *Id.* at 14. However, Petitioner's complaint cannot reasonably be construed as asserting ownership over what exists in his imagination to the exclusion of what he has rendered on paper.

The complaint does not make any reference to "intangible attributes." It speaks of "comic strip[s]", "comic books" and "pencil drawings" featuring the characters. [Record 20-21]. While the Petition classifies the "mannerisms," "look" and "style" of the characters as "intangible attributes," the complaint alleges that the characters' likenesses, including Josie's trademark hairstyle and pussycat costume, were tangibly rendered in the drawings Petitioner prepared, that he owns them and that he has the right to control the preparation of derivative works based on them. [Record 19-23]. The complaint specifically objects to Respondent's licensing of the characters for dolls and animated cartoons, uses that clearly implicate their graphic likenesses. [Record 22]. Thus, Petitioner

> does not claim ownership of the "general theme" or "idea" of a trio of female friends who have a rock and roll band. He claims ownership of the original unpublished renderings of the characters, including Josie's "unique bouffant hairstyle," as well as the spotted cat costume that inspired the development of the character's appearance as a "pussycat," and the right to make derivative works based on those renderings.

[B-15].

Petitioner's argument seems to be premised on the fact that a character's appearance can be fixed in a tangible medium of expression and yet still exist in its "creator's imagination and memory." *Petition* at 14. From a metaphysical point of view, any creation that is fixed in a tangible medium of expression can simultaneously exist in identical intangible form in the mind and memory of its author. However, once a creation is fixed in a tangible medium of expression — as were the "mannerisms," "look" and "style" of the Josie, Melody and Pepper characters — it is protected by copyright. 17 U.S.C. §§ 102(a), 301(a).

Petitioner's Statement of Facts confirms the Second Circuit's construction of the complaint. Petitioner claims that he "began experimenting with the creation of his own comic strips, one of which featured a teenage cartoon character he called 'Josie' after his wife"; that he submitted the "comic strip" to a syndicate without success; that "he showed his Josie strip to Archie Comics' Richard Goldwater"; that they submitted the strip to a syndicate, again without success; and that Respondent then "decided to published Josie as a comic book and engaged Mr. DeCarlo to prepare the drawings." *Petition* at 4. On the basis of these alleged events, Petitioner asserts an ownership right that would give him control over the exploitation of the characters' likenesses and the right to prepare "future artistic works" incorporating them. *Petition* at 6, 8. The courts below correctly held that this ownership right is copyright.

THERE IS NO CONFLICT AMONG THE CIRCUITS AS TO THE COPYRIGHTABILITY OF CARTOON CHARACTERS

The Petition asserts that there is a conflict between the Second and Ninth Circuits as to the copyrightability of "fictional characters." *Petition* at 9. However, there is no conflict or confusion as to the copyrightability of comic book characters, only literary and live-action film characters which are not at issue here. Both the Second and Ninth Circuits extend copyright protection to sufficiently-delineated comic book characters. *See Warner Bros., Inc. v. American Broadcasting Cos.*, 720 F.2d 231, 235, 240 (2d Cir. 1983); *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, 755 (9th Cir. 1978); *Detective Comics, Inc. v. Bruns Publications, Inc.*, 111 F.2d 432 (2d Cir. 1940); *see also Olson v. National Broadcasting Co.*, 855 F.2d 1446, 1452 (9th Cir. 1988). The D.C. Circuit has also afforded copyright protection to the graphic likenesses of comic book characters. *Walt Disney Co. v. Powell*, 897 F.2d 565 (D.C. Cir. 1990). Respondent is not aware of any Circuit Court decision holding that comic book characters are *per se* uncopyrightable.

The confusion as to character copyrightability noted in the Petition is in the area of literary and live-action film characters which are analytically distinct from comic book characters and raise more complex issues. As noted by the Ninth Circuit, "literary characters may embody little more than an unprotected idea." *Air Pirates*, 581 F.2d at 755. Because "[l]iterary characters are abstractions which can be seen not with the eyes but with the mind . . . , the distinction between protectible expression and unprotectible idea has proven to be particularly elusive concerning literary characters." Leslie A. Kurtz, *The Independent Legal Lives*

of Fictional Characters, 1986 Wis. L. Rev. 429, 451 (1986). This difficulty led the Ninth Circuit to hold in the "Sam Spade" case that literary characters are "not within the area of the protection afforded by copyright" unless "the character really constitutes the story being told." *Warner Bros. Pictures, Inc. v. Columbia Broadcasting System, Inc.*, 216 F.2d 945, 950 (9th Cir. 1954) ("Warner Bros."); *see Air Pirates*, 581 F.2d at 755.

However, the Ninth Circuit has also held that "comic book characters . . . are distinguishable from literary characters." *Air Pirates*, 581 F.2d at 755. A comic book character "has physical as well as conceptual qualities." *Id.* Therefore, the "unique elements of expression" that define comic book characters can be identified with relative ease. *Id.* For this reason, the Ninth Circuit in *Air Pirates* held that the restrictive language in *Warner Bros.* does not preclude protection of comic book characters and that it "need not endorse the district court's conclusion that Disney's characters fell within the *Warner Brothers* exception for characters who 'really constitute' the story" in order to find the characters protectible. *Id.* at 755 n.11. *See also Olson*, 855 F.2d at 1452 ("[C]ases subsequent to *Warner Bros.* have allowed copyright protection for characters who are especially distinctive. For example, cartoon characters may be afforded copyright protection notwithstanding *Warner Bros.*").

As noted in the Petition, courts in the Ninth Circuit are struggling to reconcile *Warner Bros.* and *Air Pirates*. However, that struggle has no bearing on this case. Under *Air Pirates*, the Josie, Melody and Pepper characters would be subject to copyright protection in the Ninth Circuit just as they are in the Second Circuit.

Anderson v. Stallone is cited in the Petition for the proposition that the standard to be applied in determining when a character may be afforded copyright protection is "fraught with difficulty." *Petition* at 6. *See Anderson v. Stallone*, Case No. 87-0592 (Gx), 1989 U.S. Dist. LEXIS 11109 (C.D. Cal. Apr. 25, 1989). However, *Anderson* involved live-action film characters, not comic book characters. Like literary characters, live-action film characters present analytic difficulties that are not presented by graphically-depicted comic book characters because their visual depiction may not be an original element of expression that is uniquely associated with the character. Although the Ninth Circuit has stated that "copyright protection may be afforded to characters visually depicted in a television series or a movie," it has not clearly articulated the standard that should be applied in such cases. *Olson*, 855 F.2d at 1452. *Air Pirates* did not rule on the continued viability of *Warner Bros.* with respect to non-comic book characters. *Air Pirates*, 581 F.2d at 755. However, since *Air Pirates* and *Olson* could be read as "cast[ing] doubt on the reasoning and implicitly limiting the holding of the Sam Spade case," the *Anderson* court was left uncertain as to what standard should be applied to film characters. *Anderson*, 1989 U.S. Dist. LEXIS 11109 at *17. It concluded that, under *Air Pirates*, the less restrictive "sufficient delineation" test that was developed in the Second Circuit should govern the copyrightability of film characters and that "the more restrictive 'story being told test' is inapplicable." *Id.* at *20. However, "out of an abundance of caution," the court determined the protectibility of the film characters at issue under both tests. *Id.*

Anderson merely reflects the uncertainty in the Ninth Circuit as to how *Air Pirates* affects the viability of *Warner*

Bros. outside the realm of comic book characters.[2] However, the copyrightability of non-comic book characters was not raised by Petitioner's complaint, was not addressed by the District or Circuit Courts below and is not before this Court on this Petition.[3]

Likewise, the question of whether *Air Pirates* represents a retreat from W*arner Bros.*, a limitation of *Warner Bros.* to literary characters or an application of *Warner Bros.* (on the theory that *Air Pirates* implicitly found that well-delineated comic book characters necessarily constitute "the story being told") is not raised by Petitioner's complaint. No matter how the Ninth Circuit ultimately deals with *Warner Bros.*, the Ninth and Second Circuits are in accord that sufficiently delineated comic book characters are protected by copyright. Therefore, the Second Circuit's decision below is not in conflict with the holdings of the Ninth Circuit.

Moreover, contrary to Petitioner's argument, application of copyright law to comic book characters does not discourage creativity by stripping authors of the right to use

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2. *Rice v. Fox Broadcasting Co.*, 148 F. Supp. 2d 1029 (C.D. Cal. 2001), cited in the Petition at 13-14, also involved a copyright claim in a film character. While the *Rice* court's analysis bespeaks of confusion, the issue with which it struggled — the copyrightability of a film character — is not raised by the Petitioner's complaint or addressed in the decisions below.

3. The fact that Respondent has licensed the Josie and Melody characters for use in a live-action film is irrelevant to the copyright analysis. The portrayal of the characters in the film is not the basis for Petitioner's ownership claim. Petitioner's claim rests on his alleged creation of the characters and depiction of them in comic strips and stories. Whether or not the film characters are protectible by copyright is not an issue in this case.

their characters in future artistic works. *Petition* at 8. To the contrary, it guarantees them the exclusive right to control the use of their characters nationwide during the term of copyright, a right that may not be protected or protectible under state law.[4] Petitioner did not lose the opportunity to establish his alleged ownership interest in the characters because that interest arises under copyright law. He forfeited that opportunity because he waited too long to challenge Respondent's ownership of the characters. [A-7–A-8]. (Petitioner has not sought certiorari as to the Second Circuit's holding that his ownership claim is time-barred.)

THE ISSUE OF WHETHER THE COPYRIGHT IN A CHARACTER CAN INCLUDE ELEMENTS OF "PERSONALITY" WAS INCIDENTAL TO THE SECOND CIRCUIT'S DECISION AND IS NOT DISPOSITIVE

The Petition argues that the "personality" of a comic book character is an "intangible attribute" that is not covered by copyright. *Petition* at 2, 14. In the Second Circuit, what a comic book "character thinks, feels, says, and does and the description conveyed by the author through comments of other characters in the work" are aspects of the character that can be protected by copyright, although "the visual impression of the character tends to create a dominant

---

4. Nimmer suggests that, in the event that a character is found to be unprotectible under the Copyright Act, the absence of protection should be viewed as "a limitation of rights, within given protectible subject matter, rather than an exclusion of subject matter from federal copyright analysis. Under that analysis, a state law protecting characters *per se* would be pre-empted, unless it contained an additional (and qualitatively different) element, such as passing off." Nimmer On Copyright § 1.01[B][2][e] (2001).

impression." *Warner Bros., Inc. v. American Broadcasting Cos.*, 720 F.2d at 241-42. The Ninth Circuit also considers characters' "developed personalities and particular ways of interacting with one another and their environment" to be protectible expression. *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1169 (9th Cir. 1977); *see also Toho Co., Ltd. v. William Morrow & Co.*, 33 F. Supp. 2d 1206, 1216 (C.D. Cal. 1998); *Metro-Goldwyn-Mayer, Inc. v. American Honda Motor Co.*, 900 F. Supp. 1287, 1298 (C.D. Cal. 1995). Thus, the proposition that the copyright in a comic book character may include distinctive personality traits is not novel or controversial.[5]

Moreover, this issue was not specifically raised by the complaint,[6] was incidental to the Second Circuit's analysis

5. Petitioner argues that this proposition is inconsistent with Copyright Office Circular 44. "Copyright Office circulars are not technical documents, but are 'intended to present simple explanations of the law,' for lay persons." *Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 797 F.2d 1222, 1242 n.38 (3d Cir. 1986) (quoting Declaration of Arthur J. Levine, former Assistant Chief of the Copyright Office Examining Division). Circular 44 attempts in a single paragraph to convey the distinction between "the idea for the character" and the "expression" of the character in copyrightable works. *See Petition* at 14-15. It does not specifically address the extent to which a character's personality, as delineated in comic strips and stories, can be protected by copyright, nor does it reflect that the Copyright Office would disagree with the Second Circuit's holding in this case.

6. Petitioner's emphasis in the Petition on the characters' personalities is puzzling in light of the undisputed fact that, aside from his claim that he independently created six original *Josie* comic strips (consisting of three to four panels each), Petitioner did not write any of the *Josie* or *Josie and the Pussycats* comic book stories in which the characters' personalities were developed and only illustrated a portion of them. [Record 137, 139, 530-36].

and is not dispositive of the outcome of this case. For these reasons also, it does not warrant review by this Court.

Petitioner's argument incorrectly assumes that, if personality is not protected by the copyright interest in a character, it necessarily is protected by state law. Before analyzing whether the First Cause of Action raises a federal copyright issue, the courts below gave serious consideration to Petitioner's assertion that New York law gives cartoonists a property right in both the tangible and intangible aspects of their creations. Petitioner argued that such a state law property interest was established in *Fisher v. Star Co.*, 132 N.E. 133. [A-5; B-9–B-11]. In well-reasoned analyses, the courts below correctly concluded that *Fisher* established only a claim for passing off, not a proprietary interest stemming from a cartoonist's creation of cartoon characters, and that the First Cause of Action did not state a claim cognizable under New York law. [*Id.*]. This determination of state law does not merit this Court's attention, particularly as the Petition is devoid of any authority for the proposition that character personalities are protected by the law of New York or any other state. *Regents of University of Michigan v. Ewing*, 474 U.S. 214, 224 n.10 (1985).

Warner Bros. does not supply the state law right that Petitioner seeks to invoke. *Warner Bros.* held that the literary character Sam Spade as delineated in *The Maltese Falcon* was not within the area of protection afforded by the copyright in the book. 216 F.2d at 950. However, it did not hold that the author had a property interest in the character under California law. Indeed, it has been suggested that, under *Warner Bros.*, the author of a literary character "is left free to use his character in new stories, but so is everyone else." Kurtz, 1986 Wis. Law Rev. at 455.

In the absence of any state law basis for Petitioner's ownership claim, it was not necessary for the Second Circuit to decide whether such a state law property interest would be preempted by the Copyright Act. That issue was not squarely addressed by the Circuit Court's decision and is not dispositive of this case.

THE COMPLAINT DID NOT ASSERT A CLAIM THAT PETITIONER OWNS THE CHARACTERS' NAMES

Petitioner lists the characters' names as one of the "intangible attributes" protected by state law. *Petition* at 7. Character names can be protected under trademark and unfair competition law. *See, e.g., Wyatt Earp Enterprises, Inc. v. Sackman, Inc.*, 157 F. Supp. 621 (S.D.N.Y. 1958). However, the complaint does not assert that Petitioner owns the characters' names or plead any of the elements of such a claim, such as secondary meaning and likelihood of confusion. *Id.* The issue was not before the courts below, was not decided by them and is not properly raised in the Petition.

THE COURTS BELOW CORRECTLY HELD THAT PETITIONER'S FIRST CAUSE OF ACTION "ARISES UNDER" THE COPYRIGHT ACT

The Petition grossly distorts the decisions below in charging that "the lower courts extended federal jurisdiction to apply to Petitioner's breach of contract claim." *Petition* at 15. The Circuit and District Courts based their exercise of jurisdiction on Petitioner's First Cause of Action which asserts an ownership claim based on authorship, not a breach of contract claim. [A-8; B-9 n.20; B-16]. Petitioner's breach

of contract claims are asserted in his Second and Third Causes of Action which were treated as supplemental state claims. [A-8; B-16; B-19].

Contrary to the Petition, the well-established *T.B. Harms* test for federal jurisdiction in cases involving copyrights does not support Petitioner's attack on jurisdiction. *T.B. Harms Co. v. Eliscu*, 339 F.2d 823 (2d Cir. 1964). Under *T.B. Harms*,

> an action "arises under" the Copyright Act if and only if the complaint is for a remedy expressly granted by the Act, e.g., a suit for infringement or for the statutory royalties for record reproduction, . . . or asserts a claim requiring construction of the Act, . . . or, at the very least and perhaps more doubtfully, presents a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim.

Id. at 828. Applying this test, Judge Friendly held that federal jurisdiction was lacking in *T.B. Harms* because the plaintiff's ownership claim was based on contract — namely, an agreement by the defendant's predecessor to assign his copyright interest to the plaintiff's predecessor. *Id.* at 824-25, 827. Here, however, Petitioner's ownership claim is premised on authorship, not contract. Under *T.B. Harms*, claims of ownership based on authorship arise under the Copyright Act because they seek remedies provided by the Act and require construction of its authorship provisions. *See, e.g.*, *Bassett v. Mashantucket Pequot Tribe*, 204 F.3d 343, 356 n.14 (2d Cir. 2000); *Merchant v. Levy*, 92 F.3d 51, 56 (2d Cir. 1996); *Goodman v. Lee*, 815 F.2d 1030, 1032 (5th Cir. 1987); *Butler v. Continental Airlines, Inc.*, 31 S.W.3d 642, 652 (Tex. App. 2000) (Dismissing non-preempted state

law claims that require "construction of the work for hire provision of the Copyright Act" because they arise under the Copyright Act under *T.B. Harms*).

Petitioner's assertion that the courts below premised federal jurisdiction on his request for "common law damages" and a "constructive trust" similarly misrepresents the record. *Petition* at 17. Petitioner's complaint requests these remedies in connection with his Second through Fifth Causes of Action, not his First Cause of Action, and they were not relied upon by the courts below in determining that the First Cause of Action arises under the Copyright Act. [A-6–A-7; B-13; Record 31-32]. The First Cause of Action seeks a declaratory judgment that Petitioner "is the sole owner of the comic book characters Josie, Melody and Pepper, and has the exclusive right to use or license same for purposes other than comic strips and comic books" and an injunction against Respondent's continued use of the characters other than in its comic books. [Record 31-32]. The Prayer for Relief also requests an accounting of "all gains, profits, revenues and advantages . . . derived from defendant's use or licensing third parties to use plaintiff's creations." [Record 32]. These are copyright remedies being sought to establish and vindicate Petitioner's alleged copyright ownership interest. *See* 17 U.S.C. §§ 501-504 (2001).

Petitioner's assertion that the Second Circuit wrongly applied its *Bassett* test to this case instead of the *T.B. Harms* test makes no sense. The tests are identical. Prior to *Bassett*, in dicta in *Schoenberg v. Shapolsky Publishers*, 971 F.2d 926, 932-33 (2d Cir. 1992), the Second Circuit had articulated a separate test for federal jurisdiction in cases involving "hybrid" actions raising both copyright and contract claims.

In *Bassett*, the Second Circuit repudiated the *Schoenberg* standard and reaffirmed the *T.B. Harms* test:

> [W]e conclude that, for claims of infringement arising from, or in the context of, an alleged contractual breach, this circuit's standard for determining jurisdiction under Section 1338 is furnished by *T.B. Harms*, and not by *Schoenberg*.

Bassett, 204 F.3d at 355. Thus, the *Bassett* and *T.B. Harms* tests are the same.

Moreover, consistent with this Court's holding that original and removal jurisdiction are co-extensive, the Second Circuit correctly held that the *T.B. Harms* test, as reaffirmed in *Bassett*, applies both in cases where the plaintiff seeks federal jurisdiction and in removal cases. *Merrell Dow Pharmaceuticals, Inc. v. Thompson*, 478 U.S. 804, 808 (1986); *Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 20 n.18 (1983).

Furthermore, the decisions below are entirely consistent with this Court's jurisprudence regarding the well-pleaded complaint and the master of the complaint rules, and do not raise any novel or controversial issues of law. This Court has held that whether

> a case is one arising under the Constitution or a law or treaty of the United States . . . must be determined from what necessarily appears in the plaintiff's statement of his own claim in the bill or declaration, unaided by anything alleged in

> anticipation of avoidance of defenses which it is thought the defendant may interpose.

Taylor v. Anderson, 234 U.S. 74, 75-76 (1914). Under this rule, as master of the complaint, "[w]here plaintiff's claim involves both a federal ground and a state ground, the plaintiff is free to ignore the federal question and pitch his claim on the state ground to defeat removal." *Travelers Indem. Co. v. Sarkisian*, 794 F.2d 754, 758 (2d Cir. 1986) (internal citations and punctuation omitted).

However, "it is an independent corollary of the well-pleaded complaint rule that a plaintiff may not defeat removal by omitting to plead necessary federal questions in a complaint." *Franchise Tax Bd.*, 463 U.S. at 22. Even though a plaintiff maintains that his cause of action arises under state law, removal is nonetheless allowed if the "claim is 'really' one of federal law." *Id.* at 13. *See also* 15 *Moore's Federal Practice* § 103.43 (2001) ("A plaintiff cannot avoid federal court simply by omitting to plead a necessary federal question in the complaint; in such a case, the necessary federal question will be deemed to be alleged in the complaint").

In this case, Petitioner has pled all of the elements of a federal claim — namely, an ownership claim premised on authorship — but argues that his claim arises under state law. However, there is no state law property right that arises out of authorship of graphic works fixed in a tangible medium of expression. Petitioner's drawings that were "published" in Respondent's comic books prior to 1978 lost their state common law copyright protection through the act of publication, and acquired statutory copyright under the 1909 Copyright Act. *Caliga v. Inter Ocean Newspaper Co.*, 215 U.S. 182, 188 (1909). By virtue of the preemptive effect of

Section 301(a) of the 1976 Copyright Act, Petitioner's drawings that were unpublished as of January 1, 1978, lost their state common law copyright protection and acquired federal statutory copyright on that date. 17 U.S.C. § 301(a). *See Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 740 (1989). Thus, despite Petitioner's efforts at creative labeling, the courts below correctly determined that his First Cause of Action, on its face, seeks recognition and enforcement of a "right . . . claimed under a federal statute." *Puerto Rico v. Russell & Co.*, 288 U.S. 476, 483 (1933).

The application of the artful pleading doctrine to this case "is not a departure from the rule that the plaintiff is master of his complaint. If a plaintiff has pled what must necessarily be a federal claim, he has no state law available to choose as the basis of his suit." *Travelers Indem. Co.*, 794 F.2d at 758; *see also Marcus v. AT&T Corp.*, 138 F.3d 46 (2d Cir. 1998); *Brennan v. Southwest Airlines Co.*, 134 F.3d 1405 (9th Cir. 1998), *amended, reh'g, en banc, denied*, 140 F.3d 849 (9th Cir. Cal. 1998); *Derrico v. Sheehan Emergency Hospital*, 844 F.2d 22 (2d Cir. 1988). In this respect, this case is analogous to cases in which removal has been upheld based on "complete preemption" because complete preemption leaves the plaintiff without any state law claim. *E.g., Metro. Life Ins. Co. v. Taylor*, 481 U.S. 58 (1987). However, unlike the typical complete preemption case, in which, for example, an employee sues under state contract law to recover benefits due to him under a plan regulated by ERISA, Petitioner's First Cause of Action does not assert any recognized state law cause of action. *Id.* Rather, it seeks judicial recognition of a property right that is a creature solely of federal law. As such, on its face, it raises a substantial federal question.

The fact that the complaint does not use the term "copyright" or refer to the Copyright Act is immaterial. The "artful pleading doctrine provides that a plaintiff should not be able to 'frustrate a defendant's right of removal by carefully pleading his case without reference to any federal law.' " *Indeck Me. Energy, L.L.C. v. ISO New Eng. Inc.*, Civil Action No. 00-978-RRM, 2001 U.S. Dist. LEXIS 16439 at *24 (D. Del. Oct. 9, 2001), *quoting* 14B Wright, Miller & Cooper, *Federal Practice and Procedure* § 3722 at 436 (3d ed. 1998); *see also Ayres v. GMC*, 234 F.3d 514, 519 n.7 (11th Cir. 2000) (Plaintiff's complaint was not "well-pleaded" until amended to expressly plead that her "cause of action contains, as an essential element, a federal issue"; removal prior to amendment proper because plaintiff had engaged in artful pleading by concealing federal question); *Burda v. M. Ecker Co.*, 954 F. 2d 434, 438 (7th Cir. 1992).

As the First Circuit has observed, "[t]hough 'that which we call a rose by any other name would smell as sweet,' W. Shakespeare, *Romeo and Juliet* (1595), we must parse causes of action as they are, not as the pleader might fondly wish they were." *Royal v. Leading Edge Products, Inc.*, 833 F.2d 1, 5 (1st Cir. 1987). The "jurisdiction of the federal district courts cannot be manipulated by the simple expedient of creative labeling." *Id., quoting Ferris v. General Dynamics Corp.*, 645 F. Supp. 1354, 1358 (D. R.I. 1986).

Before Petitioner filed his complaint, Respondent alerted him that any copyright ownership claim he might assert would be barred by the statute of limitations. [Record 86-88]. Petitioner's attempt to avoid characterization of his ownership claim as one arising under copyright is motivated by his desire to avoid application of the copyright statute of limitations to it. *See Petition* at 4 n.4. However, Petitioner

cannot have it both ways. If he wishes to avoid federal jurisdiction and the copyright statute of limitations, he cannot assert a property interest in graphically-depicted characters premised on his alleged authorship of them. The federal courts must have the freedom to call a "spade" a "spade." The Second Circuit gave Petitioner's First Cause of Action the only construction to which it is amenable. Nothing in its analysis or decision warrants this Court's attention.

CONCLUSION

The Petition fails to demonstrate any valid ground for review of the decision below and should be denied.

Respectfully submitted,

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Supreme Court, U.S.
FILED
NOV 14 2001
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No. 01-556

In the
Supreme Court of the United States

DANIEL S. DE CARLO,

Petitioner,

vs.

ARCHIE COMIC PUBLICATIONS, INC.,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

PETITIONER'S REPLY BRIEF

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Petitioner's Reply Brief

Respondent's brief attempts to limit the issues on appeal to "graphically depicted comic book characters." ("Question Presented," page i.) This twisting of the Complaint disregards the multiple allegations that Mr. DeCarlo created the characters themselves. The artist did not simply copy pictures of the characters out of a book. He invented them in his own imagination and then fully developed them in his mind's eye, giving them form and personality before he ever drew them on paper. The characters have resided in their creator's imagination to this day.

The graphic depictions Mr. DeCarlo made for Archie's comic books were all derivative of the original characters in Mr. DeCarlo's mind and memory, which were and are Mr. DeCarlo's sole invention and authorship and the subject of this litigation.

Here is the key language in the very first paragraph of the Complaint:

NATURE OF ACTION

> 1. This is an action to recover compensation due to plaintiff DeCarlo for defendant's use and licensing of his independent creation of the comic book characters known as "Josie," "Melody" and "Pepper," for purposes other than newsstand comic strips and comic books.

(JA-17).[1]

In the next section of the Complaint plaintiff explicitly states that:

> Compensation for the use of Mr. DeCarlo's independent creation of the comic book characters "Josie," "Melody" and "Pepper" is the central focus of this case.

(JA-18).

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[1] "JA" references are to the printed Joint Appendix filed with the Court of Appeals.

The Complaint then describes in detail the creative process which gave birth to these characters:

> 5. In or about the mid-1950's, Dan DeCarlo was employed on salary at Timely Comics (Marvel), drawing *Millie the Model, Sherry the Showgirl, My Friend Irma, Homer the Happy Ghost, My Girl Pearl* and *Big Boy Comics*, as well as many of Timely's covers. During this time, Dan DeCarlo began developing a new female teenage comic book character he would eventually call "Josie."
>
> 6. During this creative process, in or about 1957, DeCarlo's wife, also named "Josie," came home one day wearing her hair in a new style. Struck by her appearance, DeCarlo said "That's it," and the Josie comic book character's unique bouffant hairstyle was born. In further tribute to his wife, DeCarlo named his new creation for her. Later, her appearance in a costume as a spotted cat for a shipboard party during a vacation cruise, inspired Mr. DeCarlo's development of the Josie character's appearance as a "pussycat." Josie has since become widely known as a character and personality, with a large following, including several fan clubs.

(JA-18-19).

It will be seen that plaintiff's claim in this case is not based on the graphic depiction of the characters but rather on Josie's underlying "character and personality."

The New York Court of Appeals has stated that the creation of cartoon characters results in a property interest protected under state law under the following principle:

> Any civil right not unlawful in itself nor against public policy, that has acquired a pecuniary value, becomes a property right that is entitled to protection as such.

Fisher v. Star Co., 231 N.Y. 414, 132 N.E. 133, 137, *cert. den.* 257 U.S. 654 (1921).

The New York court went on to explain the public policy behind this property concept in a single sentence:

> No person should be permitted to pass off as his own the thoughts and works of another.

(132 N.E. 133 at 139).

The courts below dismissed this holding as mere *dicta*, and said it was limited to unfair competition claims. There is no logical reason why the *Fisher* holding it is not a sound legal precept that should be enforced by the courts today.

Plaintiff's Fear of Losing His Livelihood

Respondent also gives a partisan version of the facts concerning Mr. DeCarlo's silence while Archie repeatedly appropriated his characters for commercial exploitation — until the misappropriation eventually extended to a full-length feature motion picture producing a license fee in seven figures, precipitating this action. (*See* R. Br. pp. 4-5.) Respondent fails to mention the artist's dependence on Archie for his livelihood to support his family, and that his silence resulted from advice he received in the early 1970s from a cartoonist association attorney that if he sued Archie he would be "blackballed by the rest of the industry." (JA-389).

Comparison to Motion Picture Images

Respondent also asserts that, from the viewpoint of copyright analysis, live-action motion picture *depictions* of characters are legally different from comic book *depictions*. (R. Br. p. 12.) This is an artificial distinction. *Both depictions* are equally copyrightable.

The "difficulty" in the character area of intellectual property law remains unresolved — not merely in the Ninth Circuit, but nationwide. *See* L. Kurtz, *The Independent Legal Lives of Fictional Characters*, 1986 Wisc. L. Rev. 429, 471 (1986). That is why this Court should grant certiorari to give clarity and certainty to an uncharted area of copyright law that presently confronts creative individuals who hope to have their ideas turn into successful income-generators. Without such

clarity in the law, creative artists can expect to face costly lawsuits with uncertain outcomes — as in this case. They also can expect to confront misappropriators represented by skillful lawyers, whose initial response to a creator's legal challenge will be to assert huge counterclaims[2] and to employ "scorched earth" litigation strategies.

Continuing Uncertainty

Respondent underscores the present uncertainty in this important area of the law by asserting that the "Sam Spade" case may be read as actually permitting third party appropriation of the author's characters. (R. Br. p. 16):

> *Warner Bros.* held that the literary character Sam Spade as delineated in *The Maltese Falcon* was not within the area of protection afforded by the copyright in the book. 216 F.2d at 950. However, it did not hold that the author had a property interest in the character under California law. Indeed, it has been suggested that, under *Warner Bros.*, the author of a literary character "is left free to use his character in new stories, but so is everyone else." Kurtz, 1986 Wis. Law Rev. at 455.

The opportunity to clarify these conflicting interpretations is at hand.

Plaintiff's State Law Claims

Respondent attempts to confine petitioner's claim below to a single cause of action for declaratory judgment. (R. Br. pp. 1, 2, 3, 4, 5, 7, 16, 17, 19, 24.) In truth, the complaint alleges *five* causes of action. The Second Cause of Action is explicitly for breach of contract (pars. 23 to 26) and is so captioned:

SECOND CAUSE OF ACTION

(Breach of Contract)

(JA-24).

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[2] At the outset of this case, Archie immediately counterclaimed for damages against Mr. DeCarlo (subsequently quantified at $6.5 million). (JA-62-66).

The remedies plaintiff seeks in this case are all common law remedies. The following is the *entire* prayer for relief as set forth in the Complaint:

> WHEREFORE, PLAINTIFF prays for judgment against the defendant as follows:
>
> 1. Declaring that plaintiff is the sole owner of the comic book characters Josie, Melody and Pepper, and has the exclusive right to use or license same for purposes other than comic strips and comic books, and enjoining defendant from damaging plaintiff's reputation as sole creator of Josie, Melody and Pepper, or causing losses of value in these unique creations, under the First Cause of Action;
>
> 2. Awarding damages to plaintiff for defendant's breach of contract in a sum to be proven at trial under the Second Cause of Action;
>
> 3. Awarding damages to plaintiff for defendant's breach of its covenant of good faith and fair dealing under the Third Cause of Action;
>
> 4. Awarding damages to plaintiff for defendant's breach of its fiduciary duty under the Fourth Cause of Action;
>
> 5. Directing defendant to account for all gains, profits, revenues and advantages derived by Archie Comics due and owing to plaintiff or which are derived from defendant's use or licensing third parties to use plaintiff's creations, and pay over same to plaintiff.
>
> 6. Granting such other, further and different relief as the Court deems just and proper under the circumstances.

(JA-31-33).

These requests are not magically converted into remedies created under the Copyright Act by the lower court's *ipsi dixit*. The plain language of the Complaint is not designed to obtain "a remedy expressly granted by the Act" — the touchstone for Federal preemption under *T.B. Harms v. Elisen*, 339 F.2d 823, 828 (2d Cir. 1964) (discussed in Respondent's Brief at

pages 17-24). The *Harms* case cannot be applied mechanically, as the District Court did. In *Harms*, the assumption was that a litigant explicitly seeking a remedy granted by the Copyright Act was in fact relying on the federal statute, not on a parallel doctrine of state law providing similar remedies. Here, the situation is just the opposite. Plaintiff has expressly chosen to rely on New York State law. Under the master of the complaint rule, this choice must be honored, notwithstanding any similarity in the remedies available under New York law and the federal copyright statute. Contrary to Respondent's assertion (R. Br. p. 20), the lower court's holding that original and removal jurisdiction are coextensive is irrelevant here. *Harms* does not support the court's optional exercise of jurisdiction over plaintiff's state law claims.

Plaintiffs have an absolute right to choose state law as the basis for their claims, and disregard possible federal law grounds. The essence of the master of the complaint rule is that this choice must be respected by the courts, even if it will ultimately lead to dismissal on the grounds of preemption or some other basis. In short, the right to choose includes the right to choose wrongly. Properly applied, the artful pleading doctrine is not inconsistent with this right to choose. It merely provides that a litigant who chooses to rely *on federal law* will be subject to removal, even if he has dressed up his complaint as a state law claim. Here, there is no doubt that plaintiff intended the reverse — to rely on state law, not disguised federal law, as the basis for his claim. Artful pleading therefore has no application here. (*Cf.* R. Br. p. 22.) The District Court simply disagreed with plaintiff's choice of legal theory and converted his state claim to a one based on federal law. This usurped plaintiff's right to choose the body of law upon which he would rely. Moreover, it denied plaintiff an additional right which inevitably flows from the right to choose — i.e., the right to have state courts pass on issues of state law. Plaintiff strongly believes that the District Court here misread New York law and that the outcome may well have been different if a state judge, more at home with the common law of New York, had reached the question first.

CONCLUSION

It is rare for an individual creative artist — a "little guy" — to have the opportunity to knock at the door of the United States Supreme Court seeking protection against the misappropriation of his original creative ideas. The present rare case allows the Court to clarify the law that should govern the protection of characters — literary, motion picture, and cartoon alike. That law is presently in disarray and needs to be addressed in a manner that will not discourage and suppress individual creativity.

Dated: New York, New York
November 6, 2001

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